Office romances

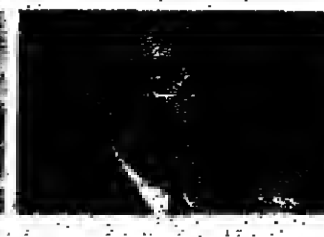
Mixing business and pleasure

Management, Page 9

Ted Waitt

Pony-tailed hick and PC super-salesman

Monday People, Page 10



FINANCIAL TIMES

Europe's Business Newspaper — MONDAY MAY 16 1994 — D8523A

China puts off new stock listings to protect investors

China is postponing new stock listings in an attempt to ensure that companies seeking investment from the public are sound, and it wants to increase the role of investment funds to calm its volatile stock markets.

The official Xinhua news agency reported that a considerable portion of the stocks scheduled to be issued this year to local investors, known as A-shares, will be postponed to 1995. Page 14

Hanson, Anglo-US conglomerate, is to lengthen its payback period for new investments by up to two years, in an attempt to take advantage of low interest rates and inflation. Page 15; Lex, Page 14

Rise in US gun crime: A record 931,000 violent crimes were committed with handguns in the US in 1992 – almost a 50 per cent increase on the annual average during the previous five years. Page 6

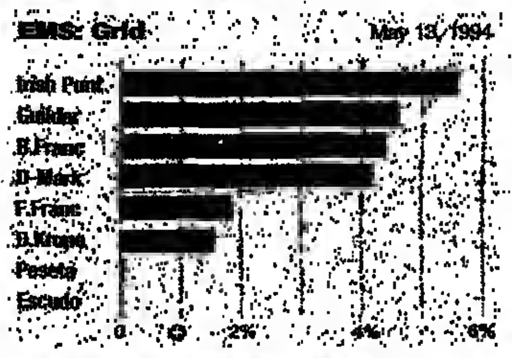
Singapore Airlines, consistently one of the world's most profitable carriers, says intense competition plus the continuing strength of the Singapore dollar caused annual pre-tax profits to dip 7.7 per cent to S$871m ($555m). Page 18

Brussels to woo Ukraine: The European Union will today make a start at trying to forge a more even-handed strategy toward Russia and Ukraine, by bolstering its relationship with the latter. Page 14; Ukrainians tend their gardens amid muddle and weakness, Page 3

Assurance on dollar: US treasury secretary Lloyd Bentsen said the feeling that Washington was content to see the dollar drop in value was a "misrepresentation". Page 6

European Monetary System: A 50 basis point cut in official German rates last week heralded cuts in interest rates from all EMS countries except Portugal. The order of currencies in the grid remained unchanged. Continuing political scandals caused the Spanish peseta to weaken further. Currencies, Page 29

EMS: Grid May 13, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Atlantic Richfield, the US energy company, has confirmed reports that investments in derivative securities led to steep losses last month in an employee investment fund it manages. Page 15

Syrian hint on Mideast progress: US secretary of state Warren Christopher arrived in Damascus on a mini-shuttle that the US hopes can produce discernible progress in talks between Israel and Syria, amid a rare official hint of possible flexibility from Syria. Page 5

Guinness, the drinks group, said it would defend an $85m writ for damages issued by Thomas Ward, a Guinness director at the time of the takeover of Distillers to 1986. Page 16

Tourism 'could save whales': Potential revenues from whale watching – an increasingly popular form of tourism – make the mammals worth more alive than dead, UK and US officials will argue ahead of the annual meeting of the International Whaling Commission. Page 6

Endesa: Book-building for the global share offer in the Spanish electrical utility has now officially begun and subscriptions for the domestic retail tranche of the shares open on Wednesday. Page 18

British troops to exercise in Poland: British soldiers will today take part to a military exercise in Poland. It will be the first set of war games by British troops in a former Warsaw Pact country. Page 8

Alcatel BV, a Belgian subsidiary of the French telecommunications group, is negotiating a $150m loan to the Turkish government in a bid to keep Teletas, its Turkish subsidiary, afloat. Page 18

Bank attacked over Crest system: The Bank of England's handling of the Crest share settlement system has been sharply criticised by a former executive of the Securities and Investments Board, the City's chief regulatory watchdog. Page 7

Pull-out blow to Eko Stahl: The Treuhand privatisation agency was last night seeking ways to salvage Eko Stahl, eastern Germany's largest steel mill, following the decision by Riva, the private Italian steel company, to pull out from buying the plant at the 11th hour. Page 2

Four in a row for Schumacher: German Michael Schumacher, driving a Benetton, continued his dominating start to the Formula One season by finishing first in the Monaco Grand Prix, making it four wins out of four. Briton Martin Brundle, in a McLaren, was second and Austrian Gerhard Berger was third in a Ferrari.

Orly to open for UK flights

Ministers head off crisis with deal giving British carriers access to Paris airport

By Paul Betts in London and John Ridding in Paris

Britain and France agreed a compromise yesterday on the opening up of Orly airport to Paris to UK airlines, just 24 hours before the escalation of a potentially damaging dispute.

Under the accord, reached after two days of intensive telephone negotiations between the two countries' transport ministers, France agreed to open Orly to flights from London by the end of *next month at the latest.*

Britain, meanwhile, will consider improving access for French airlines to London airports, particularly Heathrow, in line with European regulations.

British Airways and Air UK had threatened to defy a ban by the French government and launch services to Orly this morning. They had announced plans to start flights to the airport in southern Paris following a ruling last month by the European Commission which said France must immediately open the London-Orly routes.

After the agreement was announced, Mr John MacGregor, the UK transport minister, said it was "a victory for European open skies". The dispute had been "the first test case" for implementing *the European Union's new liberalised* air transport market.

His French counterpart, Mr Bernard Bosson, who had warned the British airlines against trying to fly to Orly without official approval, described the agreement as equitable.

The dispute came to a head last week when Mr Bosson declared that the planned London-Orly flights could not start until a number of problems had been resolved. These included the implemanting of measures to ease congestion at Orly, environmental considerations for local residents and improved access to Heathrow for French airlines.

Britain yesterday agreed to the short delay in the opening up of Orly, the main airport for domestic French destinations, after *receiving French government* guarantees that it would be opened as soon as possible to UK airline competition.

In a *joint statement,* the two governments said France would do "everything in complete transparency" to solve the safety, environmental and congestion problems at Orly in accordance with European provisions.p

BA and Air UK both welcomed the agreement. Sir Colin Marshall, BA's chairman, said: "Our objective all along was to secure our right to fly to Orly and we have done that."

Air UK will delay starting its Orly services from London's Stansted Airport. Both BA and Air UK will continue operating services to Charles de Gaulle, Paris's other airport.

Mr MacGregor confirmed that Britain would continue opposing French plans to inject FFr20m ($3.4m) of fresh capital into Air France, the financially troubled French national carrier. He also said the UK would continue to take a strong position *against* state subsidies for other European national carriers.

The UK and its airlines are also expected to continue putting pressure on France to open Orly well before the end of the June deadline.

Despite yesterday's agreement, the French government faces continued opposition from trade unions to increased competition on domestic routes. Union groups at Air Inter, the domestic subsidiary of Air France, the loss-making state-owned carrier, are planning a one-day strike tomorrow to protest against the liberalisation of the French airline market.

The French government is also resisting the timetable of deregulation which has been demanded by the *European Commission.* It *is appealing* to *the European* Court of Justice against a Commission ruling that the Orly-Toulouse and Orly-Marseilles routes must be opened to *competition* within six months.

TAT European Airlines,–BA's French *affiliate, said yesterday's* agreement encouraged it to believe France would implement the EC ruling on the Orly-Toulouse and Orly-Marseilles routes.

Business Travel, Page 8
Lex, Page 14

Russian PM vows to hold firm on reform

By John Lloyd in Moscow.

Russian prime minister Victor Chernomyrdin has pledged to to continue tight money and credit *policies, in spite of having* reached what he calls "the trough of the crisis" in the country's economic transformation.

Mr Chernomyrdin, writing in today's Financial Times, predicts that his economic policies will produce inflation of between 7 and 8 per cent a month by the end of the year, down from a high of around 30 per cent at the end of last year.

He acknowledges that the consequences of reform have been a drop to production to the first quarter of about 25 per cent, compared to the same period last year, but says that this did not and will not deflect the government's course.

Referring to the intense pressure from ministers to increase spending, Mr Chernomyrdin says that every member of his cabinet "fully understands that a strong rouble is the indispensable condi*tion for the revival of the Rus*sian economy".

"Our common task is clear," he writes, "that every Russian citizen should know that everything his government does is directed to protect the purchasing power of the roubles he earns".

He also holds out the prospect of the beginnings of an economic revival in the near future.

"We are now living through the trough of the crisis. In the *next few months,* we can make a break from the basic negative tendencies which have held back our development in the last two or three years."

However, he makes clear that he *does* not envisage mass factory closures and a sharp rise in the unemployment rate, as that would "sharply worsen the political and the social situation in the country".

Mr Chernomyrdin presents, for the first time, the outline of an action programme on structural industrial change which divides enterprises into three groups: those which are adapting

Continued on Page 14
No exits on the road to market, Page 13

S Africa hit by resurgence of political violence

By Mark Suzman in Johannesburg and Gordon Cramb in Cape Town

South Africa's respite from its problems ended at the weekend as at least 15 people died in political violence, and ministers in the new all-race government tussled *over budget allocations.*

The incidents highlighted the harsh realities facing the new government, following the post-election euphoria. President Nelson Mandela's government also has to make early decisions on economic policy.

Fears of a resurgence of violence grew after 12 bodies were discovered on Saturday in a house in Thokoza, a black township east of Johannesburg, in the worst incident since the country's first democratic elections began three weeks ago. Although the political affiliations of the dead were not immediately known, Thokoza has been a centre of clashes between supporters of the victorious African National Congress and the Zulu-dominated Inkatha Freedom party.

Police did not rule out involvemant of the so-called "third force", a shadowy group of extremists with links to the security forces who have attempted to destabilise South Africa's transition to democracy.

The killings followed a series of incidents between Inkatha and ANC factions at the Western Areas Gold mine west of Johannesburg last week which left seven workers dead before management and the security forces negotiated a stand-off between the groups of workers.

In the KwaZulu/Natal region, where the worst pre-election *bloodletting took place,* there were at least three politically movtivated deaths over the weekend. Chief Mangosuthu Buthelezi, whose Inkatha Freedom Party won control of the KwaZulu/Natal provincial legislature, warned that violence would scare off vital foreign tovestment.

Meanwhile, provincial and national leaders have begun competing for scarce budgetary resources ahead of next month's budget.

Mr Ben Turok, a radical political scientist from the University of Durban Westville, who has publicly called for higher rates and taxes for whites, has been put to charge within the regional cabinet of implementing the ANC's reconstruction and development programme in the Pretoria-Witwatersrand-Vereeniging (PWV) region around Johannesburg. This is South Africa's economic heartland, accounting for some 39 per cent of GDP. Mr Tokyo Sexwala, the region's premier, has promised to consult

Continued on Page 14

Irish prime minister Albert Reynolds (right) and President Bill Clinton after a memorial ceremony to Robert F. Kennedy and Martin Luther King at the weekend. Speaking in the US, Mr Reynolds raised hopes of ending the deadlock on peace in Northern Ireland. Page 14 Picture AP

Foreign companies angered by Japanese tax increases

By Robert Peston in London and Paul Abrahams and Michiyo Nakamoto in Tokyo

European and US companies operating in Japan are receiving swingeing increases in their tax bills, following systematic investigations of their profitability by Japan's national tax agency.

Tax *increases running to* hundreds of million dollars have been imposed on Coca-Cola, the US manufacturer of soft drinks, Roche and Ciba-Geigy, the Swiss pharmaceutical groups, and Hoechst, the German drugs group.

Other big companies, including US chemicals group DuPont, are currently being assessed by the Japanese tax authority and fear similar increases.

The national tax agency has alleged that many western companies have been under-reporting profits earned in Japan in order to minimise their tax bills. They accuse western companies of levying excessive royalty payments on their Japanese subsidiaries and associates. It is also alleged that the Japanese offshoots *are* being charged too much in transfer prices for materials imported from their parent companies in the west, to boost their profits at the expense of the Japanese arm.

Executives of the affected companies say privately that they believe *the tax increases are* a reprisal for substantial tax increases imposed on Japanese companies by the US Internal Revenue Service.

The IRS alleged that Japanese companies have inflated the transfer prices at which they ship goods to their US subsidiaries.

"This is a really serious problem," said Roche, which received a bill for Y10bn ($96m) to additional taxes for the three years *between 1990 and 1992.*

Ciba-Geigy, which was charged an additional Y5.7bn in taxes for 1990 to 1993, said: "This assessment is unjustified and outrageous... The company will use all possible avenues to oppose this assessment."

A Swiss official said Swiss tax officials would be visiting Japan in the coming week for talks on the increases with the National Tax Agency.

Coca-Cola (Japan), which is the single largest taxpayer among foreign affiliated companies in Japan, is appealing against a Y15bn tax penalty recently *levied, and also wants bilateral* government talks.

Hoechst refused to quantify how much increased tax it faced, but said it was appealing to a Japan-Germany intergovernmental tax committee.

Mr Terry Symons, a partner of accountancy firm Price Waterhouse specialising in transfer pricing, said: "The public face of the National Tax Agency is reasonable and co-operative. But at a *local level,* that co-operation *is* ignored, international rules are not understood and officials are aggressive."

He also warned: "Some western companies are so concerned, they are *considering not putting new* investment into Japan."

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

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Hopes at Eko Stahl dashed as Riva pulls out

By Judy Dempsey in Eisenhüttenstadt

The Treuhand privatisation agency was last night seeking ways to salvage eastern Germany's largest steel mill following the decision by Riva, the private Italian steel company, to pull out from buying the plant at the 11th hour.

As Ms Birgit Breuel, president of the Treuhand, held talks with management state and union officials, the people of Eisenhüttenstadt, close to the Polish border, had little confidence a buyer would be found.

"It is now pretty hopeless," said Wolfgang Hirsch, a 38-year-old who used to work at the Eko Stahl steel mill. "If the mill closes, Eisenhüttenstadt has nothing else to offer its 50,000 people. The town was built in 1951 around the new steel mill which the communists located here."

Before German unification in 1990, the mill was producing an annual 2.5m tonnes and employing 12,000 workers. Today, it produces 900,000 tonnes and has 3,000 full-time workers on the pay-roll.

"Many of the unemployed from the mill just sit at home," said Ms Birgit Henschl, a nurse at the local hospital. "They drink more and more. They have no perspective. Many young people have already quit and gone to west Germany. We thought the Italians would save the plant."

Riva withdrew at the weekend despite the go-ahead by the European Commission allowing the Treuhand to earmark DM813m (£325m) for the plant. The capital would be used to modernise the cold rolling mill and invest in equipment for manufacturing hot-rolled flat products, both aimed at converting the loss-making Eko Stahl into an integrated and competitive mill.

Riva's decision to pull out was apparently precipitated by a row with IG Metall, the engineering union. Riva had wanted to reduce the workforce by 700 to 2,300 as soon as possible, while the union wanted the jobs to be slowly phased out up to the end of the year. Both sides also failed to agree on the composition of the supervisory board.

Riva had intended to invest about DM1bn in the mill, and was committed to guaranteeing 1,700 jobs between 1997 and 2004. For its part, the Treuhand had agreed to pick up Eko Stahl's debts and losses, and provide the investment grants which, combined, amounted to DM2.7bn.

The collapse of the Riva deal will be greeted with some relief by west Germany's steel manufacturers, who had persistently opposed the modernisation plan. They had argued that the construction of a modern hot rolling mill would pose a threat to the industry.

But more significantly, Eko Stahl would contribute to the already high levels of overcapacity in Germany's steel sector.

As a compromise, a consortium, led by Thyssen and Preussag, the steel manufacturers, proposed buying 50 per cent of Eko Stahl's cold rolling mill, closing down the hot-blast furnaces, and securing 1,000 jobs for the mill's subsidiaries. The Treuhand rejected the plan.

But the Treuhand's insistence on creating an integrated steel mill at Eisenhüttenstadt, at considerable expense to the taxpayer, reveals a shift in its own philosophy.

In 1990 and early 1991, the agency had rushed to close down enterprises. – for example, Interflug, East Germany'e state airline, on the grounds that it was making huge losses and not worth restructuring.

In reality, west German airline carriers did not want competition. Throughout that period, the number of jobs available in eastern Germany decreased from 9.3m to 6.2m, with the Treuhand at the forefront in speeding up privatisation and closing down enterprises.

Yet since then, as Eko Stahl and other cases show, the Treuhand has increasingly anchored its economic/ideological philosophy in social and political considerations. An official of the West German Steel Federation agrees. "Eko Stahl is a political issue. The Treuhand and the government cannot afford to close it down because there's nothing else in the region," he said.

The Treuhand goes one stage further in justifying its attempts to save Eko Stahl. "We will try to find another buyer for Eko Stahl because, eventually, a modern, integrated steel mill on the borders with eastern Europe has a great chance," an agency official said. "We have to restructure and look to the long term because we have to turn some of these regions of eastern Germany into highly competitive industries. Otherwise there will be a desert. That is what Eko Stahl means."

Survey will add to calls for postal liberalisation

By Roland Rudd

The European Commission will tomorrow come under renewed pressure to liberalise postal services, with the publication of a survey revealing significant dissatisfaction with the reliability and cost of services.

The poll of business postal users in Belgium, France, Germany and Spain comes as the latest draft paper by the commission on drawing up a new regulatory framework indicates a move towards greater liberalisation.

The Commission's paper, entitled Proposal for Regulatory Framework for Postal Services in the EU, says arguments to justify restrictions on the operation of direct mail and cross-border mail "are not sufficiently convincing". Following publication of a postal green paper in 1992, the Council of Ministers last December asked the Commission to come up with legislative proposals on changing the regulatory regime before July 1994.

Businesses now hope the EC will increase competition in postal services, liberalising direct mail and cross-border mail and opening express services and the mailing of publications to greater competition.

The survey was commissioned by the European Federation of Direct Marketing Industries representing companies such as Time Warner and Readers Digest. It was not conducted in the UK or Holland because both countries have already begun to liberalise postal services.

The federation's research shows that many business postal users are unhappy with charges and the reliability of services. In particular, more than 70 per cent of German businesses are dissatisfied with postal charges and more than 80 per cent of Spanish businesses with reliability.

Businesses believe the liberalisation of the postal service in the four European Union member states will improve the quality and reduce the cost of services.

Almost unanimous support exists for the principle of using any private or public postal service in any EU country.

Some of the 200 Citroën Traction cars which gathered at a rally in Caen in northern France at the weekend Reuter

Polls show González lagging

By David White in Madrid

The damage that recent corruption scandals have done to Mr Felipe González's Spanish government is shown in a series of opinion polls giving the conservative opposition a decisive lead in next month's European parliament election.

The polls also show the ruling Socialists losing their absolute majority for the first time in the regional parliament of Andalucia, where elections are being held at the same time as the European ballot on June 12.

Mr González, launching his party's European campaign in Madrid on Friday, said it would have to make "an enormous mobilisation effort". He admitted that the elections were taking place at "an extremely delicate moment".

The daily El Mundo, which has spearheaded allegations of corruption and financial misconduct by senior officials, published a poll yesterday showing the Socialist share of the vote falling to 32.8 per cent, against 40.2 per cent in the last European election four years ago.

This was almost five points behind the conservative Popular party, whose vote was shown rising to 37.6 per cent from 21.7 per cent in 1989.

This would give the Popular party 27 of Spain's 64 European parliament seats, against 15 at present. The Socialists would lose three or four of their current 27 seats.

Another poll commissioned by the conservative Barcelona daily La Vanguardia gave the Popular party a lead of 5.9 points, although half its respondents were undecided or had decided not to vote. A majority thought the government was not doing enough to combat corruption, and almost 45 per cent thought Mr González should resign.

An earlier survey published by the right-wing Madrid newspaper ABC showed the Popular party 6.8 points ahead. All the polls pointed to a strong result for the Communist-led United Left.

Dutch parties to discuss coalition

By Ronald van de Krol in Amsterdam

Three Dutch political parties will this week begin exploring the formation of a coalition excluding the centrist Christian Democrats (CDA) from government for the first time in modern Dutch politics.

Queen Beatrix has appointed three elder statesmen from Labour, the right-wing Liberals and the left-of-centre D66 to hold preliminary talks on the possibility of creating a cabinet without the CDA.

The CDA of the outgoing prime minister, Mr Ruud Lubbers, suffered heavy losses in general elections on May 3. Labour, which had ruled as a junior coalition partner with the CDA for five years, also lost seats in parliament but emerged as the biggest party overall. The Liberals and D66, by contrast, made strong gains at the polls.

The Queen's appointment of three "informateurs" to explore a new coalition brings the possibility of a cabinet without the CDA a step closer. But there are still formidable hurdles on the road to a left-right cabinet, an untried phenomenon in Dutch politics.

The three politicians – Mr Klaas de Vries for Labour, Mr Gijs van Ardenne for the Liberals and Mr Jan Vis for D66 – will have to try to bridge the gap between Labour, which wants no new reform of the social security system, and the Liberals, which is proposing a radical cut in benefits provided by the state.

The three men do not hold seats in the lower house of parliament and are not involved in the day-to-day politics of their parties, making it easier for them to explore options than it would be for colleagues who stood in the election.

If the three make progress, their party leaders may then be asked by the queen to launch formal negotiations on a new coalition.

However, the process could take weeks, and any failure to agree would give the CDA a chance to return to government and avoid relegation to the opposition benches.

Greek curbs on capital movement lifted early

By Kerin Hope in Athens

The Greek drachma could face more pressure today, following the government's unexpected decision at the weekend to lift all remaining restrictions on short-term capital movement, six weeks ahead of the July 1 deadline.

Mr Yannos Papantoniou, the economy minister, said the decision to speed full liberalisation was taken "to rebut speculators' expectations and unfounded rumours" of a devaluation in the run-up to the deadline.

Economists described the move, which brings Greece into line with European Union rules on free movement of capital, as a bold attempt to pre-empt speculative attacks on the currency as the date for lifting curbs approached. However, they pointed out that there was now little likelihood of a drop in interest rates.

The government aims to buttress the drachma this week by launching a new issue of Ecu and dollar-linked drachma bonds, which are popular with both domestic and foreign investors, at interest rates of 7.5 and 7.7 per cent respectively.

The Bank of Greece spent almost $1bn, equivalent to about 9 per cent of the country'e foreign exchange reserves, to eupport the drachma following the D-Mark'e strong rise last week.

The Greek currency fell from Dr147.2 to Dr148.1 against the D-Mark last week. On Friday, the interbank three-month rate jumped above 25 per cent, from 19 per cent at the start of the week.

However, central bank officials dismissed the prospect of a massive outflow of capital with the disappearance of curbs that prevented Greeks from holding bank accounts or making short-term investments abroad.

There is greater concern about the effects on the Greek currency of lifting the ban on short-term borrowing in drachmas by international investors.

However, the bank still appears committed to its "hard drachma" policy under which the Greek currency will be allowed to slide by only 7 per cent this year against other EU currencies.

Berlusconi's programme faces vote of confidence

By Robert Graham in Rome

Mr Silvio Berlusconi, sworn in as Italy's prime minister last Wednesday, faces his first parliamentary test this week when the programme of his right-wing government is put to a vote of confidence.

His Freedom Alliance, which won the March general elections, has an easy majority in the chamber of deputies but needs to attract external support to win in the senate.

Government failure to win confidence in both houses would open up a political crisis that could lead to new elections.

Mr Berlusconi formulated last week the outlines of his programme with his main allies – the populist Northern League and the neo-fascist MSI/National Alliance. But he has been finalising details over the weekend after receiving suggestions from individual ministers.

The programme is set to give priority to deregulation, tax reform and privatisation. It will be outlined first before the senate today. Particular attention will focus on how Mr Berlusconi choses to tackle the issue of privatisation. The Northern League has hinted it will seek a 30-day freeze on all privatisation to re-examine existing procedures.

Berlusconi: needs support

The senate vote of confidence is expected on Wednesday and that of the chamber of deputies by the end of the week.

In the 315-seat senate, Mr Berlusconi's Freedom Alliance has 156 seats but needs 164 to be assured of a majority. Against this there are 117 senators in the progressive block and 34 belonging to the Popular party. There is a further "mixed group" that comprises 19 seats plus 11 life senators.

When the various parties voted for a new speaker last month, the government candidate won by a single vote. To be assured of a comfortable working majority, the media magnate-turned-politician must be able to rely on some of the former Christian Democrat senators, especially those who are disillusioned with their partnership with Mr Mario Segni, the pro-reform "referendum" leader.

Turkey struggles as IMF team flies out

By John Murray Brown in Istanbul

Officials of the International Monetary Fund and World Bank fly out of Turkey this week, leaving Mrs Tansu Çiller's conservative-led coalition and its economic policies in limbo.

Agreement on a stand-by facility from the Fund is at least six weeks away, and it will probably be September before structural adjustment credits from the Bank can be approved.

In the meantime, Turkey has to hold the line on wages, meet its own extremely tough targets on fiscal adjustment and service its $66bn (£45bn) foreign debt.

The Fund's endorsement of the austerity programme which Mrs Çiller unveiled on April 5 is vital to unlock funds, without which Turkey may have difficulty financing its balance of payments.

The domestic markets remain jittery.

Even with interest rates in the overnight market soaring, the currency is tottering at around TL34,000 to the dollar, representing a 60 per cent devaluation since the start of the year.

Bankers are concerned that without the Fund's approval, further commotion could hit the international markets. Turkey's long-term debt credit rating has already been downgraded three times this year by Standard & Poor's, the US rating agency.

For this reason alone, the Fund seems likely to endorse the programme and agree a letter of intent, even with some misgivings.

In particular, the Fund is understood to be doubtful about whether the inflation targets, on which the whole programme is based, can be achieved.

Inflation touched 24 per cent in April, in the wake of the one-off price rises on official commodities. According to Mr Necati Ozfirat, head of the State Planning Organisation, inflation will fall to 7 per cent in May, and 28 per cent for the second half of the year as a whole. Turkey's year-on-year inflation was 107 per cent in April.

Achieving such a target will depend in part on a political consensus; wage talks are due in June with both the civil servants and workers in the state industries.

The revenue side looks more solid. One-off tax charges on the rich have been passed by parliament. Parliament passed decree powers for three months allowing the government to prepare companies for sale.

Indeed in April the budget deficit fell from TL7,300bn in the same period in 1993 to 300bn last month – although the fall is partly explained by the large amount of tax falling due in April.

Last week, in another encouraging development, the Treasury sold bills at the domestic auction for the first time since the start of the year. The issue was a small one, the Treasury receiving offers for TL6,000bn-worth of one month paper at 12 per cent a month.

With international markets temporarily closed off, domestic debt auctions are the only way, short of printing money, that Turkey can finance its domestic budget.

Together with agreement from the banks to convert a part of their maturing Treasury bill portfolio into three-year paper, inflation-indexed plus 6 per cent, the government is slowly restoring confidence in the markets.

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Ukrainians tend their gardens amid muddle and weakness

Jill Barshay on the consequences of government paralysis

Ukraine's fnture is looking as uncertain as ever, despite the convening of a new parliament last week.

The parliament was unable to elect a head and is preoccupied with forming politically expedient, but unstable, coalitions and arguing over the imperfect election law which brought it to power.

No decisions appear to be in prospect ou critical issues, such as whether to hold next month's presidential elections or to launch economic reform.

President Leonid Kravchuk is so weak he cannot amass enough support to put issues on the parliament's agenda and the government, which is likely to be replaced in the coming months, is paralysed by infighting and the election season.

Negotiations with Russia have collapsed over division of the Black Sea Fleet. An International Monetary Fund group is in Kiev, but Ukraine is still unable to meet the rather lenient conditions required to release $700m in loans.

"Ukraine is a rudderless ship, with no direction, drifting at sea," said one western diplomat.

Despite the depth of the governmental paralysis, Ukraine remains socially and politically stable. There have been uo mass protests or strikes for nearly a year. While Crimea is continuing to strengthen its links with Russia, it has stepped back from outright secession. Nuclear warheads are being transferred to Russia according to the deal brokered by the US.

Inflation has been reduced from 90 per cent a month last December to 6 per cent in April. A market economy has been slowly emerging as private businessmen openly flout Kiev's stifling laws to survive.

But this promising underground economy, largely of trade and services, is functioning without rules, providing ample opportunity for growth in organised crime and corruption.

At the same time the legal economy has plummeted further. After years of 20 per cent annual declines, Ukraine's official statistics show a 34 per cent drop in GDP in the first quarter of this year, compared with the same period last year.

Last Friday the factory which produces the affordable, albeit shabby, Zaporozhetz car announced production was to be halted because unreasonable taxes were taking 100 per cent – and more – of profits. Mr Kravchuk has been squeezing tha debt-ridden state industry for his budget while those who produce uon-durables have easily evaded taxes.

Ukrainians, on average, earn about $18 a month – 40 per cent short of the $30 required to buy a basket of basic goods, such as bread and butter. Instead of going to work, Ukrainians spend most of their time planting vegetable gardens at their dachas to ensure they do not starve this year.

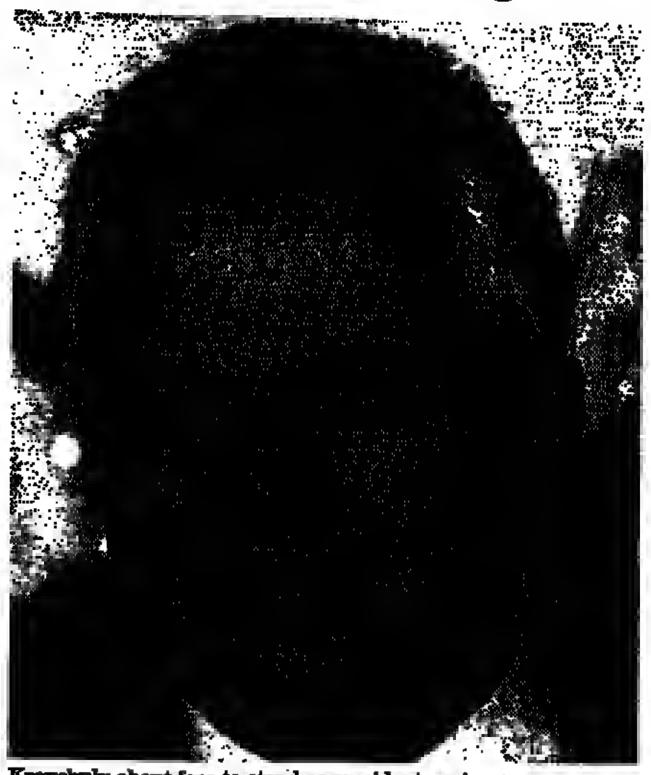
Discontent among the old ex-communist establishment, Mr Kravchuk's main support base, is a great problem for him. His rhetoric on economic reform threatens their easy access to state subsidies as his policies destroy their ability to maintain even low levels of industrial production.

Having previously said be would not stand in the presidential race and prepared to cancel presidential elections and rule by decree, Mr Kravchuk made an about-face and registered as a presidential candidate at the end of April.

Though still trying to garner support to postpone elections through freqnent television and radio broadcasts, the dejected leader left the opening meeting of parliament alone without uttering a word last Wednesday.

The continuing muddle may provide a victory to the left if elections – both presidential and local – are held next month. Communists will be able to argue that the current decay is the result of market reforms, a potent notion in Ukraine where living standards were much higher under Soviet rule, rather than the result of inaction.

"Reform has never had a chance here, but it's being hung out to dry," says a western official.



Kravchuk: about-face to stand as president again *Ashley Ashwood*

Bosnian women carrying bags of UNHCR-donated flour the 10km to their homes in the village of Dubrave near Tuzla yesterday. Reports of skirmishes in northern Bosnia threw a shadow over a new international drive to end the war in former Yugoslavia, Reuter reports from Sarajevo. Bosnian government army sources said their Moslem-led troops, normally outgunned by Bosnian Serb foes, had pushed Serb forces back in three separate attacks near Tuzla in recent days. *Picture: Reuter*

Dutch-German initiative aimed at easing Russian concerns

UK troops to exercise in Poland

By Bruce Clark, Defence Correspondent

A company from the British army will today start a military exercise in Poland that is small in scale but large in political importance. It will be the first set of war games by British troops in a former Warsaw Pact country.

The four-day manoeuvre, which will focus on peace-keeping and involve 96 British soldiers, is one of the first concrete signs of the long-mooted military relationship between eastern and western Europe coming to life.

In a related move, Germany and the Netherlands yesterday announced an initiative to upgrade the powers of the 52-nation Conference on Security and Co-operation in Europe.

This initiative will be welcome in Moscow and could help to allay growing Russian concerns over ties between its former allies and members of Nato.

The German-Dutch proposals coincide with ideas mooted by President Boris Yeltsin during his visit to Germany last week, and they suggest that a tentative compromise is emerging over the extension eastwards of Nato. The proposals would give the CSCE the right to address the UN Security Council, and in some circumstances to intervene in conflicts without the agreement of the warring parties, in other words to impose a settlement.

According to a German foreign ministry statement, a decision by the CSCE to intervene in conflicts would be taken "by consensus". This could suggest something short of absolute unanimity among the CSCE's 52 members, which include the US, Canada, all European states and former-Soviet republics.

Moscow badly wants international approval for a de facto Russian sphere of influence in the Commonwealth of Independent States. The German-Dutch ideas say the CSCE should become involved in "peace-keeping" in the CIS, and in practice this is likely to refer mainly to Russian forces.

This week's Anglo-Polish exercise, in the Polish town of Kielce, has been arranged by London and Warsaw bilaterally, but is being billed by Britain as a project "in the spirit of" Nato's Partnership for Peace plan.

Poland has been the quickest of the former Warsaw Pact nations to build military ties with Western Europe, both bilaterally and in the context of PFP.

Split proposed for Russian state electricity company

By Michael Smith

RAO, the Russian state-controlled electricity company, would be split up and its power stations restructured into a series of competing companies under proposals being considered by the Russian government.

KPMG Management Consulting of the UK, which drew up the proposals as part of a European Union-sponsored study, acknowledges that the system would lead to price rises for consumers. This is in part because it would enable subsidies to be eliminated.

However, the proposed structure would help reduce costs and stimulate investment needed as power demand increases later in the decade, it says. It could also provide a framework for the industry's full privatisation, although KPMG believes that is not essential.

So far about 20 per cent of RAO's shares have baen offered to workers and private individuals.

The country's 72 local distribution companies, or energos, which also generate some power themselves, have been established as joint stock companies with some shares distributed to the private sector. However, RAO still owns majority stakes in most of them. As well as its stakes in the energos, RAO also runs the country's largest power stations and the despatch system which selects which of them operate.

KPMG's system, which draws heavily ou the UK electricity industry structure, says RAO's large power stations should be formed into independent generating companies.

In a draft report, KPMG suggests a system in which each generating company would bid in production offers daily. High-priced generators would not be chosen to operate if demand did not require it.

The energos, which operate smaller generation plants, would be required to sell all of their energy, including their own needs, into the despatch market and buy back their requirements from it.

Energos would also be required to maintain separate accounting records for generation, distribution and other activities. This would prevent cross-subsidisation.

Most of the changes are similar to reforms baing proposed in the European Union.

The report says transitional arrangements would be needed during tha implementation of the system over several years. The market should continue to be regulated at both a federal and regional level, it says.

French in Chinese cement deal

By John Ridding in Paris

Lafarge Coppée, the French building materials group, yesterday announced that it is to set up a joint venture cement manufacturing company in China as part of its strategy of expansion in rapidly growing markets.

The joint venture company, to be called Beijing Chinefarge Cement will be situated about 50km to the north of the Chinese capital, and will be based on an existing production facility with a capacity of 700 tonnes per day.

Lafarge Coppée said that production would gradually be expanded to take advantage of the growing demand for cement in the Peking area.

The French group said that the consumption of cement in Peking totals about 6m tonnes per year and is growing at an annual rate of about 10 per cent because of infrastructure and public works projects.

Lafarge Coppée, said it would have majority control of the joint venture and would be in charge of industrial operations. It said it had signed an agreement to establish the company with the Peking city anthorities, but declined to disclose the size of the investment.

Other members of the joint venture are Beijing Huaibei Mine Cemant Industrial Company, the State Raw Matarials Iuvestmant Corporation and Citicorp International.

Authorities refrain from raising interest rates

India curbs lending to rein in inflation

By Stefan Wagstyl in New Delhi

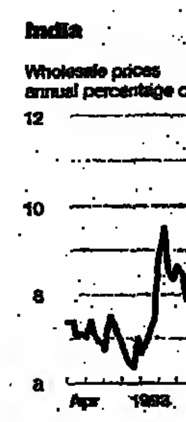
The Reserve Bank of India, the central bank, at the weekend imposed curbs on bank lending in order to help contain rising inflation but has left interest rates unchanged to prevent stifling industry.

The central bank aims to cut the inflation rate, as measured by the wholesale price index, by four percentage points from its current level of over 11 per cent a year, said Mr C Rangarajan, the governor, after a board meeting on Saturday.

The board met to determine credit policy to the end of September amid mounting concern about inflation, which has risen from a low of under 7 per cent last summer to over 11 per cent recently.

But with interest rates high by international standards and industry only just beginning to recover from prolonged stagnation, the central bank's directors felt they could not tighten monetary policy much. They judged that after cutting rates four times in the year to February, bringing the lending rate down to 14 per cent, it was too early to start raising rates.

Instead of increasing interest rates the central bank has lifted by one percentage point the cash reserve ratio – the proportion of deposits which commercial banks must deposit at the central bank. Controls on export finance are also being tightened. With the help of these measures, the central bank hopes to reduce the rate of increase in the money supply from an estimated 17.9 per cent for the year ending in March 1994 to 14-15 per cent for 1994-95.



Mr Rangarajan said he would not hesitate to act more aggressively if inflation continued to rise further then expected. He thought the rate of increase would level off after another two months.

Inflation has been pushed up in recent months by a combination of financial pressures and price increases in important commodity markets, including sugar, edible oils and cotton. The flood of foreign exchange coming into India, fuelled by increases in foreign portfolio investment, has raised foreign exchange reserves to a record $17bn, compared with about $1bn in mid-1991 when a balance of payments crisis forced India to take emergency loans from the IMF and start wide-ranging economic reforms.

The inflationary impact of this inflow has been compounded by high levels of government borrowing. The fiscal deficit for the year ended in March rose to 7.3 per cent, against n target of 4.6 per cent and the target for this year has been set at a generous 6 per cent. Even though Mr Rangarajan said the government has kept its borrowings well under control in the first few weeks of the new financial year, some economists doubt whether the discipline will be maintained.

With important state elections due later this year and early next year, the ruling Congress (I) party will be tempted to overspend rather than underspend the budget, particularly on subsidies to farmers.

India has generally been more successful than many developing countries in controlling inflation. Prices rose by an annual average of just over 8 per cent in the 1980s. The inflation rate soared during the 1991 economic crisis to a 13.7 per cent, but, with the help of curbs in public spending, fell sharply to 8.2 per cent for 1993-94.

However, with so many poor people, the country cannot accept sustained high levels of price increases without bringing hardship and the risk of civil unrest. The authorities therefore tend to be very sensitive to the dangers of inflation.

Whether they succeed in curbing price increases this tima will depend largest on how the government manages its budget in the face of political pressures. The IMF, in its recent World Economic Outlook, singled out inflation and a weakening of fiscal management as "troubling features".

Japanese baseball fans turn to drama of soccer

The samba-dancing goal-scorers of the J-League draw young audiences, Emiko Terazono reports

Japanese office workers are no longer alone in facing "risutora" or restructuring. The country's professional baseball teams are also facing a corporate-style overhaul.

Although baseball teams had been aware of waning public support over the past few years, not much had been done. But the spectacular arrival of J-League, the country's professional soccer league, has attracted many younger fans, and forced the baseball establishment to act.

Some teams have become more fan-friendly. The Hiroshima Carp have started a "ladies' night", while the Orix Bluewave are giving out melons to fans. Baseball officials have become so worried that they recently asked Dentsu, the leading advertising and marketing agency, for help.

The main predicament for Japanese baseball is the younger generation, which has a faltering enthusiasm for traditional values, as embodied by this sport. Young Japanese are more individualistic, shun baseball's emphasis on group effort, and are bored by the players' reluctance to show emotion on the pitch.

Instead, they are drawn to the aggressive play of the fashion-conscious soccer stars. The un-Japanese physical reaction – the hugging, kissing and the baring of chests – shown by players after scoring goals has also inspired supporters.

The trend is filtering down to school children. Little league baseball is facing a decline in players, while the soccer club memberships are rising, thanks to the increase in children who aspire to be like Kazu, a Brazilian-trained goal-getter who dances the samba after scoring a goal.

This fall in support is posing a commercial threat for the baseball teams. Last month, tickets for the season's opening game of the Giants, the most popular baseball team, went unsold, while J-League tickets have been almost impossible to buy.

Soccer players are grabbing most of the advertisement contracts, traditionally won by baseball players. The video game generation is also put off by the long baseball matches, which can stretch to over three hours.

"Even a rock concert lasts less than two hours," complains Mr Keiya Sasaki, director of Dentsu's sports business division. He blames the long and dull matches on the baseball team managers' paternalistic control of the game.

Throughout avery baseball match, coaches and managers on the bench twitch their heads and wave their hands, signalling and instructing every move a player on the field makes.

Mr Sasaki says the rigid control of teams and even over the players' lifestyles is stifling their abilities and flair.

To liven up baseball, his company has advised the baseball association to encourage a younger batch of players, to try to produce more stars and increase freedom for the players inside and outside the baseball stadium.

Senate leader wants trade sanctions imposed

Mitchell urges hard line on China's human rights

Senate Democratic leader Mr George Mitchell said yesterday he favoured punishing China with trade sanctions unless it improves its human rights record in the next two weeks, Reuter reports from Washington.

In remarks that could complicate a decision President Bill Clinton must make by June 3, Mr Mitchell said he was drafting sanctions because he believed China had not yet met US conditions for the renewal of Most Favoured Nation trade status.

"There has been significant progress in some respects, not in others," he said on the NBC television programme Meet the Press. "As of now, I don't think that the terms of the executive order have been met. And therefore the extension of the MFN status should be conditioned with some sanctions."

In his executive order last June, Mr Clinton said he would revoke MFN this year unless China made "overall, significant progress" on seven human rights issues, including freeing political prisoners, ending repression in Tibet and easing emigration.

If Mr Clinton fully carried out his threat, China would be relegated to the handful of nations whose exports to the US are ineligible for the low tariffs MFN bestows.

US business groups, among others, fear Baijing would retaliate in kind, restricting access to one of the world's fastest growing markets for American goods.

Mr Mitchell said Chinese human-right policy had gone back and forth, and that a decision on extending MFN would have to be made on "the full record on all seven issues" next month.

"I think it'll be a very close call," he said.

Ha added that he had already begun drafting a measure to punish China for any failure to meet the executive order's conditions. "But it depends upon what the decision is at the time and what sanctions are imposed," he said.

Senate Republican leader Bob Dole, appearing on the sama programme, urged Mr Clinton to eat crow, renew MFN and admit he had erred in tying it to human rights.

"My view is that we have to continue to look at their human rights policies, but we ought to separate the two," he said.

"The president just ought to say 'Listen, maybe I went too far, I made a mistake.' Let's go ahead and extend Most Favoured Nation status for China and we'll continue to work on human rights'."

Being second-guessed on China in Congress by his own party would be a blow to Mr Clinton. During the 1992 presidential campaign, Mr Clinton criticised then-President George Bush for unwillingness to make trade conditional on progress in the human rights field in the aftermath of the Tiananmen Square crackdown.

A classified inter-agency study of the impact of revoking MFN found that it could cost each side as much as $10bn to $13bn (£6.7bn to £8.7bn) if high US tariffs went into effect across the board.

A senior administration official, who discussed the study on condition he not be identified by name, said: "Wa are trying like hell to get movement (from the Chinese on human rights) so that in the end we don't have to do this."

"We assume the cost would be extremely high," the official added.

S Korea cools nuclear tensions

By John Burton in Seoul

South Korea has voiced doubts about North Korea's claims that it is removing spent fuel rods from its nuclear reactor without the supervision of international observers, who want to test them for clues to the North's suspected nuclear weapons programme.

The US has warned that North Korea's action could scuttle negotiations over international inspections of the North's nuclear sites and force the United Nations Security Council to impose economic sanctions.

But officials in Seoul believe Pyongyang's notification of the fuel rod replacement to the International Atomic Energy Agency on Friday may be part of a bluff to win new concessions on inspection procedures.

North Korea may be trying to force the US to hold a new round of high-level talks before allowing the IAEA access to the fuel rods. The status of the nuclear reactor refuelling may be revealed later this week, when the IAEA is expected to resume an inspection of North Korean nuclear facilities that were blocked in March.

North Korea last week agreed to accept the inspectors after the IAEA promised it would not demand immediate inspection of the fuel rods being unloaded from the 5MW reactor at the Yongbyon nuclear complex.

The IAEA wants to analyse the fuel rods to determine whether North Korea has previously diverted plutonium from the reactor to develop nuclear devices.

The reactor started operation in 1986, but was shut down for three months in 1989. The IAEA suspects that North Korea could have unloaded some of the rods during that period and reprocessed the fuel for nuclear weapons.

A dispute over the fuel rods has blocked progress over nuclear inspections in recent weeks. The IAEA previously asked to examine the fuel rods once they were removed from the reactor.

But North Korea rejected the demand and threatened to replace the fuel rods without IAEA supervision, which would violata the international nuclear safeguards agreement.

The US has expressed concern that unsupervised replacement of the fuel rods would allow North Korea to divert enough plutonium to produce four or five nuclear devices in addition to the two it is suspected of already possessing.

Washington threatened to ask the UN Security Council to impose sanctions against North Korea if it replaced the fuel rods without international oversight.

The conditions for the IAEA's supervision and testing of the fuel rods could be the subject of a new round of high-level talks between the US and North Korea. Washington has promised these talks if the IAEA is permitted full access to a suspected nuclear processing plant and other facilities at Yongbyon.

Instead of demanding immediate checks of the fuel rods, the IAEA has proposed that North Korea store the spent fuel in sealed containers for later inspection.

● The US Senate's two highest-ranking lawmakers, responding to North Korea's latest apparent disregard of international nuclear conventions, yesterday said they backed the imposition of economic sanctions on the Pyongyang government, AP adds from Washington.

"I believe that we cannot tolerate the actions that are occurring without any response at all," said Senate majority leader Mr George Mitchell. He called economic sanctions "the most prudent and likely effective response at the current time."

"We've been in this cat-and-mouse game with North Korea now for about the last 15 months," said Senate minority leader Mr Bob Dole, of the opposition Republicans, who appeared with Mr Mitchell on NBC's Meet the Press.

He said he still hoped the issue of North Korean stonewalling over its reported nuclear weapons program could be resolved. "But failing that, I think sanctions should be imposed."

Both Mr Mitchell and Mr Dole ruled out any immediate pre-emptive military strike on North Korea. But Mitchell said economic sanctions should be pushed despite North Korean threats and even if China, one of North Korea's few allies, objected.

Christopher starts shuttle in Damascus

Hint of flexibility in Syria peace talks

By Mark Nicholson in Damascus

Mr Warren Christopher, the US secretary of state, arrived last night in Damascus on a mini-shuttle that US officials hope can produce discernible progress in talks between Israel and Syria, amid a rare official hint of possible flexibility from Syria.

Mr Chrietopher want straight into talks with Mr Hafez al-Assad, the Syrian president, and Mr Farouk al-Sharaa, his foreign minister, and is expected to travel on within the next 24 hours to Jerusalem. US officials said they then expect Mr Christopher to return for further talks in Damascus.

The intensity of the shuttle, coming just two weeks after Mr Christopher's last visit to Damascus, indicates US determination to achieve progress on the Israeli-Syrian front following the Israeli-Palestina Liberation Organisation agreement earlier this month to implement the first stages of limited Palestinian self-rule.

Mr Christopher's prompt return also suggests Syria believes there is something to be discussed, despite the fact that Israeli and Syrian negotiators have not met face-to-face since the last round of Washington-hosted peace talks in September last year. Negotiations have since proceeded primarily through US mediation, both in Mr Christopher's two previous shuttles and in the Geneva summit earlier this year between President Bill Clinton and Mr Assad.

Mr Christopher will certainly seek Syrian commitment to accept the longstanding US invitation to resume bilateral talks with Israel in Washington. But there are signs his mediation is itself making progress. After his last trip on the eve of the May 4 US-PLO deal, Mr Christopher spoke of the Israeli-Syrian track having entered a new "substantive" phase.

Mr Christopher will also visit Jericho, the West Bank town newly handed over by Israel to limited Palestinian authority, during the shuttle, US officials said yesterday. The visit will be the first by any international statesman to the new areas of limited Palestinian self-rule.

After his last shuttle, Syria rejected an Israeli proposal for an Israeli withdrawal from the Golan Heights staged over a number of years. Syrian officials instead repeated Mr Assad's firm demand that a peace deal could come only after an Israeli commitment to full and immediate withdrawal from the heights, which it has occupied since the 1967 Arab-Israeli war.

However, Tishreen, the state newspaper, yesterday signalled a possible softening on the question, saying that Syria was ready to reach a deal with Israel if it concluded "a clear commitment for withdrawal from the whole of the Golan within a reasonable and acceptable period of time".

Diplomats in Damascus said that while the question of a phased Israeli withdrawal has long been privately aired, it has seldom been officially referred to so directly or positively. "It is certainly a sign of more flexibility," said one. Most observers believe Syria would insist on a phased withdrawal over months, rather than the several years suggested by Israel.

However, few observers in Damascus expect Mr Christopher's visit to achieve a public breakthrough. For this, Israel is still requiring Mr Assad to spell out in detail what he means by a "full peace" with Syria, while Mr Assad in turn wants Israel to make an unequivocal statement of willingness to return the Golan to Syrian sovereignty and withdraw from it entirely.

Moreover, Syria is also determined to wrest bilateral concessions from the US in return for delivering a deal with Israel – a matter which will certainly feature in Mr Christopher's talks.

Lebanon impasse resolved

By Mark Nicholson in Damascus

Mr Rafik Hariri, Lebanon's prime minister, signalled the end of a debilitating week-long political impasse over a proposed cabinet reshuffle by calling an extraordinary cabinet meeting for today.

His decision ends a week in which Mr Hariri "withdrew" from his duties as prime minister in protest at opposition, predominantly from Mr Elias Hrawi, Lebanon's president, to his proposals for enlarging Christian influence in the cabinet.

It follows a weekend trip by Mr Hariri to Syria, Lebanon's powerful neighbour, which retains 35,000 troops in the country, during which he held talks with Mr Hafez al-Assad, the Syrian president.

Lebanese officials would not say what resolution had been reached to persuade Mr Hariri to end his "strike", but said a solution to the crisis would be discussed at today's meeting. Mr Hrawi and Mr Nabbi Berri, speaker of Lebanon's parliament, had objected to Mr Hariri's proposal to introduce two senior Maronite Christians into the cabinet and had complained at his appointment of close aides.

The impasse hurt confidence in the Lebanese pound, requiring the central bank to spend an estimated $200m (£137m) to steady the currency.

Refugee plea to warring sides

The United Nations High Commissioner for Refugees yesterday appealed to the warring sides in Yemen to let an urgently needed convoy reach a camp where Somali refugees have been killed in the civil war crossfire, AP reports from Geneva.

The agency has been trying since the middle of last week to send the trucks with food, medicine and other supplies to Al Koud camp, 50km east of Aden.

It said it had been unable to confirm the number of Somali refugees killed since open fighting erupted between northern and southern forces in Yemen on May 4.

But camp elders had reported the death toll at 175, with an unknown number wounded.

Previous estimates said between 100 and 270 had been killed.

A team representing the UNHCR and the International Committee of the Red Cross reached the camp from Sanaa on Saturday and found only 1,500 refugees left out of a population estimated at 6,000. The rest have fled to a nearby village or into the surrounding countryside.

Refugees told the team that uniformed men had taken batteries and generators that had been used to pump water to the camp and had confiscated their food, leaving the camp with little or no water, food and medical supplies.

The team brought in only four boxes of ICRC medical supplies, and much more was needed, the UNHCR said.

A second team from Aden that has been trying to reach the camp with the convoy will try again today.

Tha camp was set up to house 10,000 Somali boat people who fled the civil war in their own homeland two years ago across the Gulf of Aden.

Abont 4,000 refugees are believed to have moved into Aden before the fighting began.

Gunshots and 20 checkpoints on hazardous road to Aden

Eric Watkins' epic journey from Sanaa ends in frustration

Sitting in the dark with two armed guards at my back, I was beginning to wonder whether my efforts to reach Aden had been worthwhile. I had travelled nearly 600 miles in two days from Sanaa, the capital in northern Yemen, bluffing my way through more than 20 military checkpoints, and two sets of front lines in the civil war between northern and southern Yemeni forces.

Then, with the Gulf of Aden in view, I was nabbed by northern military forces who accused me of espionage. In the company of a French journalist, I had headed south. Northern troops, we had heard, were rapidly approaching Aden and were soon likely to enter the city.

From the south, however, we had heard nothing. Communications between north and south had been cut and Aden Radio was off the air. As we wound through back roads to avoid the first military check point, our guide told us to invent a story to get us through later checkpoints.

Our first test came quickly. A few miles up the road, an armed soldier flagged us down. He demanded to know who we were. "Oil men," our guide, Mahmoud, said. "They don't speak Arabic."

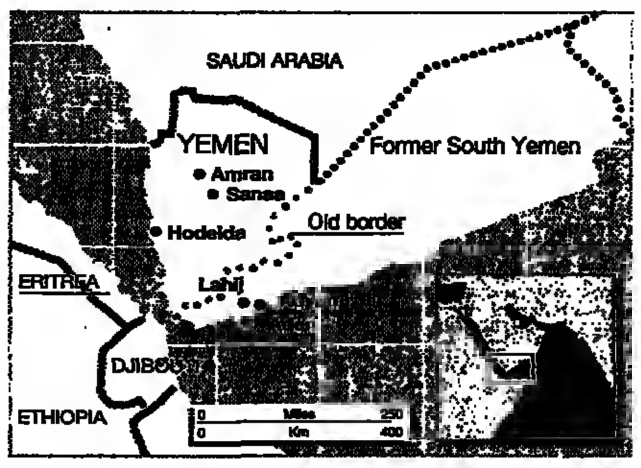
The story held up mile after mile. But the strain had got to Mahmoud who decline to go on with us. Resting in the lobby of a hotel in Mareb, north of Aden, I was soon joined by officials, who had brought along AK-47s.

"Good afternoon," said one, extending his hand. "I'm the chief of police here and this is the head of the petroleum board. Are you the BBC journalist?"

"No, I'm with the Financial Times." I explained that we had heard northern broadcasts claiming that southern jets had bombed the oilfields at Mareb. "Oh no," he said, "that has never happened. Last week one jet buzzed the town and soldiers fired at it. But the jet dropped no bombs."

After producing my press pass and a copy of the Yemeni press law, and answering "not at all" to the question "are you doing anything illegal?", we got approving nods. "Well," the police officer said, "just take care. There is plenty of trouble on the road."

He was not wrong. A couple of miles along the road, two young tribesmen tried to wave us down. Our driver sped on past them. Looking back, I saw one of a tribesmen raise his rifle, aim, and fire. He missed us. He shot again and missed.



Our journey had so far revealed few signs of war, apart from the occasional military patrol and the odd tank here and there, half-camouflaged in the golden sands. But people along the way assured us the desert was full of soldiers and urged us along our way

Located some 300 miles to the south-east of Sanaa, Ataq is a dreary little town, a motley collection of concrete buildings. But it had an airport and had become important over the past two years as a transit point for the eastern oil fields.

Ataq's strategic importance had been underlined by unconfirmed reports of a major battle there just days before. Ataq was clearly in the hands of southern forces. Armed soldiers at the check point entering town examined our papers thoroughly, climbed into our vehicle, and ordered us to drive to central security headquarters.

Within minutes, the chief told us there had been no battle at Ataq. Four northern jets had tried to bomb the airport, but they had missed. One aircraft was shot down. The chief agreed to our travel plans and gladly provided us with an an official pass showing our names, professions, and an itinerary.

The next morning, we waited an hour on the main road before getting a ride. A local man was cashing in on the war by charging exorbitant rates to taxi people around. We piled into the car, followed by half a dozen other people.

Coming round a bend, we were stopped by military police. Their leader spotted a young lad and ordered him out of the car. "You're a soldier and belong with us," he bellowed, pulling the boy from his seat. The lad was frightened. He was in tears. He was begging to be released. The officer held on to him and waved us through.

Farther along the commander of a southern brigade said we were free to travel, but he advised aganist it. "The northerners occupy the road below," he said. We pressed on, the road now becoming clogged with southern tanks and heavy trucks coming towards us.

They were, perhaps, in a tactical retreat, moving in an orderly procession to join their comrades behind us. We soon reached the battlefield, the road littered with charred and abandoned vehicles. A northern brigade, we were told, had defeated the southerners and secured the area.

By early afternoon we had progressed well, moving along in a series of lifts in handy vehicles. Just a few miles more and we would be overlooking Shuqra, a small town on the Gulf of Aden. And there, we hoped, we could hire a small boat to take us the remaining 60 miles into Aden. But our luck failed. A northern military patrol sped past in the opposite direction.

We thought nothing of it. Minutes later it sped back to stop us. An officer jumped out and came to the side of our latest pick-up truck. The searches and interrogations lasted nearly eight hours. A young officer began by going through our bags.

Hours later they were still worried about the absence of film in our cameras. They insisted we had taken photos along the way and had handed the films to southern forces for onward transmission to Aden. Two armed guards were told to watch us. In the distance, flashes of light intermittently illuminated the sky, followed by ominous rumblings.

After accepting that we had no offending films, in the early hours of the morning, they drove us back northward in a pick-up truck with six armed guards and a heavy machine gun. They asked for references in Sanaa, and I though of giving them the home number of the president, General Ali Abdullah Saleh.

But thet seemed a bit too mnch. Would the name of the president's personal advisor be enough? It was. They released us around with apologies for the inconvenience. There was no inconvenience, we said, apart from the theft of some of our equipment and the failure to get to Aden.

The fault-lines show in the Grand Old Party

Jurek Martin looks at the many contenders aspiring to lead the opposition to President Clinton

President Bill Clinton's assorted problems ought to be good news for the Republican party. In the medium-term, marked by this November's mid-term elections, this may prove to be the case. Regaining control of the Senate for the first time in 10 years is not out of the question.

But many of the old fault-lines in the Grand Old Party so apparent in 1992 remain, to the point that it can be far from confident about recapturing the White House in 1996 – unless the incumbent hands victory to them on a plate.

This much was evident in the content and reception of former vice president Dan Quayle's new book, Standing Firm. The volume was intended to re-launch Mr Quayle on the national political scene as a potential Republican nominee in 1996. Unlikely though it may seem, given the low esteem in which Mr Quayle was generally held, it has certainly served that immediate purpose, even if the boost proves ephemeral.

As Mr David Broder's column put it in the Washington Post: "He is running *for* president, *with* the Christian conservatives, *against* the press – and *without* the insignia of the Bush administration."

Certainly, Mr Quayle used his book to settle old scores with some past colleagues and future rivals, among them Mr James Baker, the former secretary of state (only concerned about himself and less influential than Mr Brent Scowcroft, national security adviser); Mr Jack Kemp, ex-housing secretary (prone to run off at "tangents" with "no discernible point"); and Mr Bob Dole, still minority leader (e closet big spender and rude to boot).

All three are proto-candidates – surprisingly for Mr Baker, who has never liked running for office on his own account. They are often on the rubber chicken circuit in New Hampshire and Iowa, the states which hold the first votes in 1996.

So are Mr Dick Cheney, former defence secretary, Mr Lamar Alexander, former Tennessee governor, Governor Caroll Campbell of South Carolina, Senator Phil Gramm of Texas, Governor Bill Weld of Massachusetts, Mr Bill Bennett, one-time education secretary and anti-narcotics czar, and a few others besides. This is not counting the talk show right, such as Mr Pat Buchanan and Mr Rush Limbaugh, who now register in GOP polls.

The nominal leader of the pack is Mr Dole, whose position gives him visibility. But he will be 73 in 1996 and, even if he does not look or act his age, it is hard to imagine the party putting him up as anything other than a sacrificial lamb. He also deeply offended the right in a funeral oration commending the late President Richard Nixon's social policy activism. Mr Cheney generally ranks second in the polls.


Dan Quayle: attempted re-launch — Tony Andrews

The party's biggest fault-line divides the Christian-influenced right, which part-shanghaied the 1992 Houston convention with its proclamation of conservative family values, from the broadly establishment middle, mostly old Bushmen.

They will fight some bitter Republican primary battles this year - for example, in Virginia, where Oliver North is running for the Senate, California, where Governor Pete Wilson is seeking re-election, and Minnesota, in both the gubernatorial and senate races.

The party also has subdivisions. The libertarian strain is articulately represented by Governor Weld and, to a degree, Mr Kemp and Mr Bennett, whose own recent book on values gives him reasonable claim to be the new GOP philosopher king.

But this wing finds itself pitted against the religious right on such issues as abortion and homosexuality, which libertarians feel should not be proscribed by law. On foreign policy, it finds itself at odds with the establishment middle, which has no truck with isolationism.

Activists such as Mr Rich Tafel, who used to work for Governor Weld and now runs Log Cabin Republicans, tha homosexual pressure group, claim to have made much ground since the divisiveness of the Houston convention. But any half hour spent tuned in to the Rev Pat Robertson's Christian broadcasting network demonstrates the depth of opposition to a party platform tilted towards tolerance.

The problem for internationalists like Messrs Chaney and Baker is that they represent an approach explicitly rejected in the 1992 election. The Republican party was instrumental in getting the North American Free Trade Agreement passed last year. But since then party attitudes, not far out of step with the rest of the nation and egged on by talk show hosts, have turned more inwards.

Evidence of this can be found in the recent behaviour of two party bellwethers. Congressman Newt Gingrich, certain to be the next House Republican leader, supported Nafta but will fight ratification of the Uruguay Round because of a perceived threat to US sovereignty that did not trouble him over hemispheric trade. Mr Dole got the Senate last week to vote in favour of a unilateral lifting of the Bosnian arms embargo.

The healthcare debate is equally divisive. Having declared early in the year that there was no health "crisis," Republicans have been all over the lot since, united only in resistance to the detailed Clinton reform plan. The fear, sometimes acknowledged by Mr Dole and occasionally exploited by Mr Clinton, is of being blamed for blocking any bill, although the hard right would not mind this at all.

Mr Kevin Phillips, former Republican strategist who publishes the American Political Report newsletter, sees dangerous historical parallels, with risk of "incipient fratricide".

He writes: "Keep in mind that when parties thet have held the White House for two terms or more lose it, their next nomination race is often wide open, bloody and unproductive – the Democrats in 1924, the Republicans in 1936, the GOP in 1964 and the Democrats in 1972. That is the sort of situation the GOP seems headed towards... too many contenders with no obvious strong choice."

Unless, of course, one of them catches fire – or the economy or Mr Clinton self-destructs.

Mexican attorney general resigns

By Ted Bardacke in Mexico City

Mr Diego Valades, Mexico's attorney general, resigned abruptly at the weekend, the second justice minister to quit in the past four months. The resignation, announced without any official explanation, adds to the turmoil surrounding the administration of security and justice as the country prepares for presidential elections in August.

Mr Valades had come under fire in the past weeks over the arrest of the Baje California deputy state attorney general, Mr Sergio Ortiz, on charges of collaborating with drug traffickers. Mr Ortiz is a member of the conservative National Action party (PAN), which interpreted the action, as well as Mr Valades' refusal to investigate allegations of corruption they levelled against Mr Carlos "Hank" Gonzalez, the powerful agriculture minister, to be a declaration of political war.

The administration of President Carlos Salinas and his ruling Institutional Revolutionary party (PRI) can ill afford a fight with PAN, which has generally been a government ally. Mr Valades may have been forced to resign in order to placate the opposition party.

A climate of insecurity, highlighted by the assassination of the PRI's presidential candidate, Mr Luis Donaldo Colosio, and a series of kidnappings of Mexican businessmen, also helped to damage Mr Valades' public image.

Mr Valades, according to aides, had his own problems with a lack of respect given to him and his post by Mr Salinas.

The investigation of the Colosio assassination has been placed under a special prosecutor, while a new National Public Security Commission, which is run directly from the president's office and to which Mr Valades had to answer, was formed less than a month ago.

The appointment of little-known Mr Humberto Benitez to replace Mr Valades in the attorney general's office is a sign that most serious law and order issues, including the election, will dealt with by the presidency.

In Mexican political circles, the circumstances surrounding the resignation, which are unlikely to go away with a simple change in chief personnel, were lamented more than the resignation itself. One newspaper, La Jornada, entitled its editorial "The Fraying of the Attorney General". Little by little, the editorial said, "the attorney general's function is wasted under a justice system overwhelmed by demand and e climate of corruption that permeates nearly all levels of the ministry."

International Whaling Commission meeting

World's whales worth more alive than dead

By Bronwen Maddox, Environment Correspondent

Whales are worth more alive than dead, UK and US officials will argue when they meet in Mexico tomorrow ahead of the annual meeting of the International Whaling Commission.

Potential revenues from whale watching – an increasingly popular form of tourism – could soon reach several hundred million pounds worldwide, officials are likely to claim.

The issue is likely to be one of the flashpoints at this year's meeting, whose formal sessions begin next week.

The break-up of the IWC – which regulates the catching of the 12 species of "great whale" – is possible if growing disputes between whaling and non-whaling countries are not resolved, environmentalists have warned.

Iceland has already left the IWC in protest at the body's moratorium on commercial whaling, introduced in 1986. Last year Norway declared that it was not bound by the moratorium, while Japan continues to press for the ban to be lifted.

Countries with strong animal rights traditions, such as the UK and US, have begun exploring whether potential revenues from whale watching will prove a powerful enough argument to block the resumption of commercial whaling.

Controversy at this year's meeting will also focus on:

- Proposals for a whale sanctuary around Antarctica.
- Japan's demand for a quota of 50 whales to be caught in its coastal waters this year.
- The reliability of the "revised management procedure", the IWC's complex model of how many whales could be caught without damaging stocks.

Proposals for the southern sanctuary are officially sponsored by the UK, the US, France and Australia, but agreement may be elusive given fierce opposition from Jepan and from some non-whaling Caribbean countries which have sided with Japan on past contentious issues.

The Japanese request for a 50-whale quota – in addition to its plans to catch around 300 whales for scientific research – will also attract opposition. Some countries argue that the quota, intended to help coastal villages, does not qualify as aboriginal whaling, which is permitted by the IWC.

However, the fiercest rows are likely to centre on the scientific model for "sustainable whaling."

Norway argues that the model, which has had years of development, would never allow so many whales to be caught thet stocks would be jeopardised. However, the UK is pressing for more research, in the light of new evidence that the former Soviet Union seriously under-reported the number of whales it caught in the 1960s and 1970s.

Some non-whaling countries have indicated that even if the IWC approves the model they may not back commercial harvesting of whales. Methods for "humane" killing and for verifying the numbers caught still remain to be settled, they argue.

Gun crime rises sharply in US

Violent crimes committed with handguns set a record in the US in 1992, soaring almost 50 per cent from the annual average during the previous five years, Reuter reports from Washington.

The Justice Department said yesterday that handguns had been used in 931,000 murders, rapes, robberies and assaults in 1992.

This was up from an annual average of 667,000 from 1987 to 1991.

Handgun crimes accounted for an increased percentage – now about 12 per cent – of all violent crimes, it said.

The figures – from the department's Bureau of Justice Statistics – were released as the Clinton administration and Congress are considering new ways to restrict guns to cut down on rampant inner-city violence.

President Bill Clinton has already signed into law the so-called Brady Bill requiring a five-day waiting period for the purchase of handguns.

He has also vigorously supported legislation banning e number of assault weapons.

Ms Janet Reno, the attorney-general, has advocated gun licensing and is considering whether to propose such a system nationwide.

The department's report said the number of murders with a handgun totalled 13,200 in 1992, a 24 per cent jump from the five-year average.

The murder numbers were based on FBI crime statistics. The other statistics, from a nationwide crime victims' survey, also showed dramatic increases for robberies and assaults involving a handgun.

The only crime category to show a decrease was rape, with handguns used in 11,800 cases in 1992, down from the previous annual average of 14,000.

The report also found that:

- Males were twice as likely as females to be victims of handgun crimes, and blacks three times as likely as whites.
- Young, black males were most vulnerable to handgun crimes. Among males 16-to-19 years old, the most victimised age group, the crime rate for blacks was four times higher than for whites.
- For rapes, burglaries and assaults, the offenders fired their weapons in 17 per cent of the crimes and missed the victim four out of five times.
- Only 1 per cent of the violent crime victims used a firearm in an effort to defend themselves. Of those who used a weapon, one out of five suffered an injury in the incident.

Bentsen gives assurance on dollar

Mr Lloyd Bentsen, US treasury secretary, said yesterday the feeling that Washington was content to see the dollar drop in value was a "misrepresentation," Reuter reports from New York.

"There was a misinterpretation that we wanted to see the dollar go down," Mr Bentsen told CBS television. He said the Clinton administration "saw no value in undervaluing the dollar".

While Mr Bentsen did not say outright that the administration opposed an increase in interest rates by the Federal Reserve, he said it should be determined "by the market and underlying economic factors".

He said that he felt short-term interest rates would be up one-half point by the end of the year to 4 per cent.

Referring to the Federal Reserve's two recent quarter-point rate increases, Mr Bentsen said: "It seems we have reached a point where no good [economic] numbers go unpunished."

On Friday, Mr Bentsen said he shared the Federal Reserve Board's goal of promoting low-inflationary economic growth.

"Let me just say that Alan Greenspan [chairman of the Federal Reserve] and I share the goal of steady, well grounded, low inflationary growth," Mr Bentsen told the Business Council, a meeting of top business executives.

"I think that's what we have and the Fed is just being cautious to make certain it stays that way," he added.

Financial markets have been on edge anticipating more interest rate rises by the US central bank.

Mr Bentsen acknowledged that long-term interest rates have moved up in the past few months. "But it's worth noting that what's behind rates is growth," he said.

INTERNATIONAL PRESS REVIEW

A death to prompt French regrets

BRITISH POLITICS
By our correspondents

It is very rare for the death of a politician to be commemorated in an editorial on the prestigious front page of *Le Monde*, the bastion of the French political press: all the rarer if the deceased was foreign, not French, and in opposition.

Yet Le Monde's leader writers decided that John Smith merited such a tribute and summed up their conclusions about the consequences of his sudden death in the headline - "British Disarray".

Mr Smith himself was described in a separate story in the flowery style characteristic of French journalism as "a devout presbyterian and opera lover... his sober appearance and heavy physique, hiding a surprising intellectual agility".

Le Figaro, the conservative daily, devoted nearly a page to "John Smith: Convincing and Competent". It also alluded to the more raffish side of the former Labour leader by noting, approvingly, that it was he who had ordered a bottle of champagne on the night before he died at the end of a meeting on the European elections with Mr Michel Rocard, the French socialist leader.

Libération, the left-liberal daily, also made reference to the champagne interlude. It quoted a Rocard aide as describing Mr Smith as having been "on good form, relaxed, cheerful, but also alert" on that night.

Mr Rocard himself was generous in his praise when reflecting upon Mr Smith in a French radio interview. "It was John Smith who convinced me that there could be a Europe with Britain," he said.

スミス党首が急死

The Japanese media generally reported the death of Mr Smith as a significant blow not only to the Labour party but to UK politics as a whole. The TV Tokyo network said the loss of Mr Smith, whose personal popularity was seen as a significant factor behind Labour's recent favourable ratings, has left the party in e difficult position. *Mainichi Shimbun*, a national daily – whose headline "Party Leader Smith Dies Suddenly" is printed above – foreshadowed the battle within the Labour party to succeed Mr Smith: "The death of Mr Smith is likely to have an effect not only on the Labour party but on British politics as a whole.

"The Conservative party chose Mr John Major as leader, after it was led by a very strong leader, Mrs Margaret Thatcher, and is always struggling with the problem of internal dissension. Similarly, it is questionable whether the Labour party will find a leader as strong as Mr Smith and it is possible that both the Conservatives and Labour will enter a leaderless period."

The UK Press Association headline, "John Smith's death stuns the world", may heve been understandable, but it was also hyperbolic, et least as far as the US media was concerned. The main TV network Thursday evening news programmes ell recorded Mr Smith's death, but relatively briefly and in the second half of their 30-minute broadcasts.


John Smith: French approval for his champagne order — Alan Harper

The leading newspapers treated the story respectably. Both *The New York Times* and the *Washington Post* did not start their coverage on their front pages beyond putting little boxes there drawing attention to stories in their foreign news sections.

The *Times* ran two items from its London bureau – a straightforward news atory on the details of Mr Smith's death and reactions to it, plus e more analytical piece on the political consequences for the Labour and Conservative parties. The *Post* combined both elements in a single piece.

In general, the recent twists and turns of UK politics are not followed minutely in the US media, perhaps understandably so. This stands in sharp contrast to the UK press's fascination with every minute and salacious detail of President Clinton's private life.

Not one of the 46 national and regional newspapers in Germany spared any editorial space for the former leader of the Labour party on the day after his death, focusing instead on an uneventful two-day visit by President Boris Yeltsin, the affairs of the new Italian government and interest rates.

The only UK event to stir interest on Friday was a few lines on "mad cow" beef in the *Schwäbische Zeitung*. Most papers merely recorded Smith's death, sometimes on inside pages.

"The best prime minister Labour never had," was how the *Frankfurter Allgemeine Zeitung* put it, drawing the parallel with Hugh Gaitskell's sudden death in 1963. "While he may not have been a brilliant speaker, the Scottish lawyer radiated statesman-like authority which one often misses in his opponent, John Major."

The left-leaning *Frankfurter Rundschau* made most of how Smith had added colour to the party: "He infused the party with his own quiet self-confidence; his humour, his advocate's intellect and strict morality presented Labour with an attractive advertisement for the 90s."

Compiled by Alice Rawsthorn in Paris, Michiyo Nakamoto in Tokyo, Jurek Martin in Washington and Michael Lindemann in Bonn.

Fears over 'softening' of competition policy

By Robert Rice, Legal Correspondent

Senior officials at the Office of Fair Trading, the competition watchdog, are increasingly concerned that Mr Michael Heseltine's Department of Trade and Industry is softening its stance on competition policy.

The mounting frustration among senior competition policy officials is reflected at Westminster, where influential backbenchers are setting up a lobby group called The Competitive Forum to press for a tougher consumer-oriented competition policy.

The advocates of a tough competition policy believe the DTI and the Monopolies and Mergers Commission have relaxed policy to help create strong UK champions capable of competing in global markets, a policy advocated by Mr Heseltine, the trade and industry secretary.

The approach has been taken up by Mr Graeme Odgers, the MMC chairman, according to the critics. They argue the MMC is operating a competition policy tailored to the needs of business rather than the consumer.

Further evidence of the lower priority the DTI is giving to competition policy is the sharp reduction in the number of cases referred to the MMC, according to consumer groups and competition lawyers. Of the 112 mergers examined by the OFT since May last year, only three were referred to the MMC by Mr Heseltine.

He was expected to underline the policy shift in his competitiveness white paper this morning. It has been postponed until next week, in a mark of respect for Labour leader John Smith, who died last Thursday.

Concerns that the MMC had gone soft on abuses of market power, which surfaced following the 1992 report on the supply of new cars have been rekindled by recent reports on Fine Fragrances and Ice Cream, which have left existing market positions intact.

Competition officials' fears that the MMC is increasingly putting tha interests of industry ahead of those of the consumer, are likely to be reinforced next month when the MMC's report on the price of compact discs is expected to clear the record industry of allegations of price-fixing.

Mr Stephen Locke, Consumers' Association director of policy says the MMC's recent reports mean "the UK is regarded as a soft touch when it comes to abuses of market power and anti-competitive agreements."

Mr Odgers, the industrialist who took over as chairman of the MMC a year ago, rejects the accusation that the MMC has gone soft on competition. But he does admit to being "four-square" with Mr Heseltine's views on privatisation, competitiveness and deregulation.

£1bn boom time for the counterfeit cowboys

Jenny Luesby looks at the problem of consumer piracy facing Britain

Counterfeited goods have reached "epidemic" levels in the UK, according to the Institute of Trading Standards Administration, which has launched a national data and intelligence service on counterfeiting crimes in an effort to curb pirated goods that could be costing Britain up to £1bn a year.

British counterfeiters are mass producing designer-label clothing, audio and video tapes, perfume, watches, computer software, leisure goods, toys, furniture, pottery and antiques.

With the trade marks bill entering its committee stage in the House of Commons tomorrow, companies and trading standards officers claim that the illegal copying of goods is set to continue as an unchecked boom industry dominated by organised crime.

Ten years ago the UK was a net importer of counterfeit products, with the goods seized in Britain nearly always manufactured elsewhere. Today industry estimates suggest that counterfeiting is costing Britain £1bn a year – through a combination of sales lost to legitimate producers and retailers – about 100,000 lost jobs and lost tax revenues.

The record industry alone, for example, says that a quarter of all tapes sold are illegal copies.

A raid last month on a mill in Preston, Lancashire, found children as young as 11 packing suspected fake Giorgio Armani and Paul Smith jeans. A week's production was seized, with a street value of £500,000. It was estimated that the haul would have cost just £8,000 to produce.

Syndicates in both Manchester and London have also moved into the mass-production of counterfeited goods. With the recession having provided a pool of workers willing to take the risk of selling pirated goods, they also have access to ample street-trading networks.

Meanwhile, Britain's trade description, copyright, trade mark and theft laws – which make producing and selling copy-cat goods a criminal offence – are being enforced by 1,500 local authority trading standards departments which say they are over-stretched and have to cover a far wider remit than counterfeiting alone.

The Institute of Trading Standards Administration recently reported that three-quarters of 98 trading standards departments surveyed spent less than 10 per cent of their time on anti-counterfeiting work, with many spending 2 per cent or less.

When counterfeiters are taken to court, penalties are minimal, with prison sentences rarely passed down and fines usually lower than the value of the goods seized.

Also, last year the Court of Appeal ruled that street traders who identified their goods as fakes were not in breach of the Trade Descriptions Act. This brought a rash of disclaimers on copied audio and video tapes, which left the consumer wiser, but music and film companies less protected.

The trade marks bill is set to close the loophole on disclaimers, make enforcement obligatory on local authorities, and increase penalties – moves which the government claims could save British companies £60m in the first year and an annual £30m in later years.

Howaver, the resources available to enforce the new legislation remain the same.

The ITSA's national data and intelligence service hopes to identify counterfeiting rings and establish links with enforcers in continental Europe through Interpol to try to track down cross-border trade.

However, trading standards departments are under review as part of the local government review, and could be reorganised into smaller units, which, they claim, will make national co-ordination and specialisation even harder.

Front-runner Blair urged to strike deal

By Philip Stephens, Political Editor

Mr Tony Blair, the front-runner in the Labour leadership contest, was urged by supporters last night to strengthen decisively his candidacy by striking a deal with one of his leading rivals on the left of the party.

The suggestion came as Mr Blair, the shadow home secretary, and Mr Gordon Brown, the shadow chancellor, faced calls from friends among Labour's so-called modernisers to settle quickly their claims for the party leadership.

A clutch of weekend opinion polls confirmed Mr Blair's advantage over other contenders for the succession to Mr John Smith. But Mr John Prescott and Mr Robin Cook kept open the option of standing as "traditionalist" candidates.

Amid intense manoueverings, the eventual outcome of the leadership election remained clouded by left-right differences and personal rivalries and ambitions.

Despite agreement by all the potential candidates not to campaign until after Mr Smith's funeral on Friday, shadow cabinet members said informal soundings over the next few days would be critical in shaping tha contest.

The behind-the-scenes bargaining has been complicated by the fact that many trades union leaders are reluctant to publicly endorse any particular candidate. The introduction of one-member-one-vote ballots will greatly reduce the influence of union executives.

The suggestion that Mr Blair might reach an agreement with with one of the traditionalist candidates came as his supporters admitted that the he needed to broaden the basis of his support in the party. Mr Prescott, shadow employment secretary, and Mr Cook, shadow trade secretary, have made it clear they would find it much easier to work with Mr Blair as leader than Mr Brown.

Mr Blair's candidacy was boosted by a string of weekend opinion polls suggesting that his leadership would have the broadest electoral appeal in the country. The polls, also indicated that Mr Blair had a significant, if narrower, lead among Labour party members.

Ex-SIB officer criticises Bank on Crest system

By Norma Cohen, Investments Correspondent

The Bank of England's handling of the Crest share settlement system has been sharply criticised by a former executive of the Securities and Investments Board, the City's chief regulatory watchdog, in an article published late last week in a prestigious legal journal.

The article argues that paperless share settlement, due to be in operation by 1996 or 1997, could have been achieved more cheaply and quickly by augmenting the Stock Exchange's existing Talisman and Institutional Net Settlaments systems. It argues that Crest is unnecessarily complex and that it creates additional risks that do not currently exist in share settlement.

The approach outlined would have left the Stock Exchange broadly in control of share settlement and left no visible role for the Bank of England.

It is understood that the article, originally submitted last autumn for publication in Butterworths Journal of International Banking and Financial Law, was withdrawn at the request of the Bank of England which wanted it delayed at least until after an important Crest task force report was published in February. The author of the article, Ms Kathleen Tyson-Quah, who was an assistant director in SIB's capital markets division, resigned from the SIB in March.

The SIB has declined to comment on the article specifically. However, it said: "We believe the Crest project is progressing successfully but we don't wish to make any further comment because we have a formal recognition role under the Financial Services Act."

In the City, the Bank has generally won praise for its handling of Crest, particularly for its willingness to consult widely. The article, which makes clear that its views are those of the author personally, is the first public criticism of the Bank's efforts.

The Bank began setting up Crest immediately after tha collapse of the Stock Exchange's own Taurus project for paperless share trading.

Britain in brief

Rover set for Sunday working

Rover Group is to introduce Sunday working at its Longbridge plant near Birmingham from next weekend in order to raise output of its 200/400 lower-medium sized car range.

The six-hour shift, to be worked by existing employees on overtime, is intended to raise production by 5½ per cent, to 4,750 cars a week.

Rover, now owned by German executive car maker BMW, said at the weekend that the increased production is te meet higher demand in both the UK and several large Continental markets.

The Sunday working programme will continue until the beginning of August, when the situation will be reassessed in the light of demand.

Rover was the only car maker to increase sales in Western Europe's slumping car market last year. In the first quarter of this year 200/400 sales rose by 15 per cent in the UK, to 23,302, and Continental sales by a similar percentage, to 35,574.

Move likely on 'lookalikes'

The Department of Trade and Industry will today announce the results of consultation examining how the government should deal with the problem of supermarket "lookalike" products.

Mr Patrick McLouglin, the minister responsible for technology, has been asking brand manufacturers if they believe protection for brand names against lookalikes should be offered in amendments to the trade marks bill or whether new legislation on fair trading would be more appropriate.

The British Producers and Brand Owners Group, whose members include Coca-Cola, Colgate Palmolive, Gillette, Mars, Nestlé and Procter & Gamble, has persuaded Mr Hugh Bayley, Labour MP for York, to put down an amendment to the bill which would offer brand names extra protection against lookalikes.

Direct Line credit card plan

Direct Line, the telephone insurance company owned by Royal Bank of Scotland, is considering launching a credit card as part of its attempt to step up sales of other financial services products to its customers.

The move could lead to stiffer competition among credit card issuers because of Direct Line's ability to use its customer database to target lower risk card users.

Car manufacturers including General Motors and Ford have also issued credit cards which offer users savings on the purchase of new cars. But although these cards have been successful, large banks still dominate the market.

Direct Line is to launch a pilot scheme to begin to sell mortgages in the summer and plans sales of simple protection type life assurance products next year following the expected authorisation of its life assurance subsidiary.

Direct Line already has more than 1.5m customers for its motor insurance policies, a market share of about 8 per cent.

BUSINESS TRAVEL

Delays at UK airports are being reduced, writes **Jenny Luesby**

Push for punctuality

Airport delays are to business travellers what traffic jams are to city drivers: infuriating, unpredictable, but inevitable.

No more, says Britain's National Air Traffic Service, the body responsible for organising UK air traffic control.

With an announcement due from the government on whether the service will be privatised, NATS has become aggressively consumer-oriented. It is reorganising flight paths, introducing more flexible take-off and landing procedures, and upgrading technology – all in a concerted effort to eliminate hold-ups.

In a programme that began in early 1993, NATS has cut average delays on scheduled flights from Heathrow to nine minutes last year, from 20 minutes in 1989. The average delay on morning commuter flights from UK domestic airports was 3.8 minutes last summer, down from 20 minutes in the summer of 1992. Delays on chartered flights have also been reduced.

UK airports: waiting time shrinks

Average delays to scheduled flights (minutes)

	1989	1990	1991	1992	1993
Heathrow	20	16	14	12	9
Birmingham	15	13	13	9	5
Gatwick	26	19	18	15	11
Luton	25	28	22	22	11
Manchester	15	11	9	6	5
Stansted	18	[illegible]	[illegible]	8	[illegible]

Average delays to charter flights also fell

	1989	1990	1991	1992	1993
Birmingham	50	[illegible]	[illegible]	33	21
Gatwick	62	49	43	41	38
Luton	54	49	42	44	30
Manchester	55	40	41	36	31
Stansted	60	38	48	31	23

Average delays to all services at the six airports (minutes)

	1989	1990	1991	1992	1993
Average delay	27	20	18	15	12

Source: Civil Aviation Authority

Graphic: R.Dhillon

The service now looks on its past indifference to delays with disdain. "There was a problem in our attitude before," says Mr Derek McLauchlan, NATS chief executive, "in that we thought we knew what was possible and we were satisfied with that. But following the management reorganisation of two years ago, we took a more proactive stance, and found that many of the problems were solvable."

Many solutions have been simple. One problem was the early morning influx into British airspace of some 400 transatlantic flights, which tended to hold up departures from Glasgow, Belfast and Manchester. "We instructed flow managers to be more careful about transatlantic tracks, so as not to block domestic take-offs, and delays were cut at a stroke," says Mr McLauchlan.

In addition, a computer link from Canada is giving London Heathrow controllers 4½ hours' notice of transatlantic traffic into UK airspace, making it easier to tailor routes.

Routing clashes caused by the limited number of air tracks, or flight paths, are also being addressed. The Civil Aviation Authority, of which NATS is an agency, is implementing a £750m investment programme to increase airspace capacity over south-east England by 30 per cent from 1995, and capacity for *en route* flights over England and Wales by 40 per cent from 1996.

However, airspace is only part of the problem. With the CAA forecasting a doubling of air passengers in Europe between 1992 and 2005 – increasing passenger flights by 55 per cent – airport infrastructure is also a constraint.

The British Air Transport Association, representing UK airlines, argues that take-off and landing slots are so fully booked that a new London runway is essential.

However, NATS has been tackling the issue in a different way. Last year, it introduced a free-flow system between Heathrow and Charles de Gaulle airport, Paris. Normally, airlines must book slot times for their departure, their air track and their arrival. Mismatches cause delays, which put rescheduling pressure on the congested take-off and landing slot timetables. Under the freeflow system, aircraft can leave whenever their departure slot permits, without needing an air track slot.

As a result, British Airways reported a fall of 94 per cent in delays from Paris to London, and of 47 per cent from Heathrow. Air France said delays had been cut by 97 per cent from Paris and 98 per cent from London. Trials have begun on other routes.

NATS is also investigating how Heathrow's two runways could be used more efficiently.

If all goes well with its plans, the service's ingenuity will go unnoticed this summer – as travellers pass through departure lounges without delay.

Setting sights high

Paul Betts on the competitive strategy of British Midland

With its latest ticket code-sharing and marketing agreement with Air Canada, British Midland Airways, the UK's second largest scheduled carrier, is extending its net of international co-operation agreements to compete against its much bigger rival, British Airways.

The Air Canada move follows a string of other code-sharing deals – which enable two airlines to use each other's ticketing code on each other's flights, making arrangements simpler – and commercial agreements between British Midland and bigger international carriers. These include the two biggest US carriers, United Airlines and American Airlines, as well as Japan Airlines and All Nippon Airways.

British Midland also co-operates with Virgin Atlantic and is planning a code-sharing agreement with Malaysian Airlines later this year. "We are also working with South African Airways over possible co-operation," says Mr Austin Reed, the airline's managing director.

Although British Midland has steadily been expanding its own international operations, Mr Reed emphasises that the airline is continuing to concentrate on developing its European short-haul route network. "Any plan to expand into longer-haul flights are at this stage very much in the future," he adds.

The growing number of international marketing alliances are part of British Midland's efforts to offer its passengers services comparable with those offered by BA. British Midland's attraction for its international partners is its strong position at London's Heathrow airport, where it has built up the second biggest pool of take-off and landing slots – 14 per cent – after BA, which has about 38 per cent.

British Midland's strong position at Heathrow was one of the main reasons behind Scandinavian Airlines Systems' decision to buy a 35 per cent stake in the UK carrier. SAS is expected to increase its holding to 40 per cent this summer.

Tony Andrews

Sir Michael Bishop: vociferous

In Europe, British Midland has challenged the big flag carriers by taking advantage of the newly liberalised air transport market and driving down business-class air fares on five of the busiest routes it serves from Heathrow: Paris, Frankfurt, Dublin, Brussels and Amsterdam. Sir Michael Bishop, chairman, claims that, where his company has taken on the big European airlines, business air fares have fallen by about 40 per cent.

The problem, he says, is that 95 per cent of European Union air routes continue to be operated through state-owned airline monopolies or duopolies. "Only 26 routes are served by more than three carriers. Of the 15 busiest cross-border routes in Europe, 10 continue to be served only by the two national airlines of the countries concerned."

Real fare competition has occurred only on routes served by at least three carriers. Where just two carriers serve a route, their tendency is to offer similar frequencies, provide similar services and apply identical fare structures.

Sir Michael is also a vociferous campaigner against state aid for airlines, which he argues is continuing to help prop up bankrupt carriers, distorting competition in the European market. "A number of smaller airlines are going bust, while the bigger companies which are really bust are being allowed to carry on through artificial supports."

British Midland, like other UK carriers including BA and Air UK, has fulminated against French government proposals to inject a further FFr20bn into Air France.

It is also angry over the French government's decision to try to stop UK airlines flying today into Orly, Paris. But unlike BA or Air UK, British Midland has decided not to seek an immediate confrontation with France. Instead, it intends to start flying from Heathrow into Orly in September, when it hopes the dust will have settled.

In the longer term, British Midland sees another threat emerging from the Channel tunnel. "We expect it will lead to a drop in some short-haul air traffic," Mr Reed says. British Midland is thus already drawing up plans to serve longer-distance European routes which would not face direct competition from the tunnel, to maintain the momentum of its steady international expansion in the European market.

Swissair ahead – confirmed

Anyone who has ever been bumped from a confirmed homebound flight will cheer the news that Swissair is abolishing the annoying requirement to reconfirm return flights from June 1. The alleged purpose of reconfirmation is to give the airline a destination contact number so it can warn passengers of a substantial delay or cancellation of the return flight, although it has never been clear why the absence of such a number should entitle the airline to cancel a confirmed booking.

Swissair said it already kept in its reservation system a home contact number for its passengers and often the name of the destination hotel. From now on, it would start asking for a destination contact number when bookings were made so reconfirmation would no longer be necessary.

Was the airline worried about "no-shows"?

"We always worry about no-shows," a spokesman said. But he doubted that the problem would worsen as a result of the abolition of reconfirmation.

Belgium bound

The Channel tunnel's formal opening earlier this month, provoked much discussion abut the future of travel between the UK and France, writes Mike Skapinker. A less-widely noted consequence of the tunnel's opening was that there will be rail services between London and Brussels.

A monthly guide to all air and sea crossings and fares between the UK and Belgium is now on sale for an annual subscription of £44.50. Rail services will be included as they become available. The guide is available from Cross Channel, PO Box 347, London WC2A 1QD.

Time is money

Airport shoppers are to be courted even more aggressively by the British Airports Authority, in its effort to turn the time that travellers spend at airports into revenues for BAA.

For travellers in two minds over making impulse purchases, BAA has announced a Worldwide Guarantee scheme. This offers "no quibble" refunds on products bought at any of BAA's seven UK airports, whether they are faulty or simply unwanted.

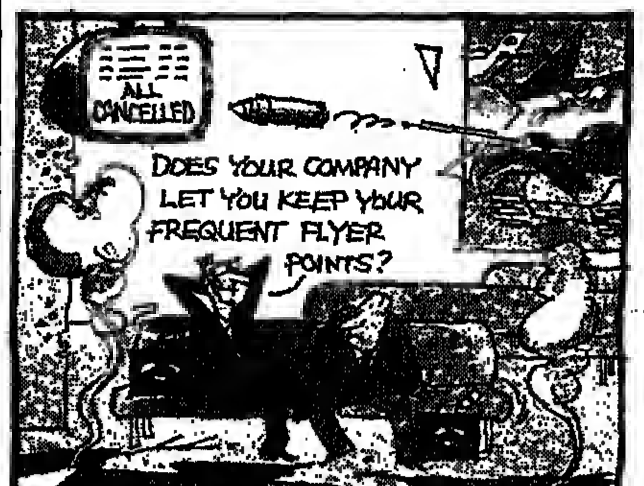
Advice on how to spend money and fill shopping time will also be available from help desks at all BAA airport terminals. And for the forward planner, BAA has introduced a Freephone shopping line (0800 844844) to allow travellers to check on items in stock and reserve or order goods.

A freepost address for the Worldwide Guarantee, and postage refunds to users outside the UK, will give travellers "the confidence to buy goods in the knowledge that if they are not satisfied for any reason they will get their money back, no questions asked", according to Sir John Egan, BAA's chief executive.

And why is BAA so keen to win shoppers' confidence – even at the price of making refunds later?

"The money we make from people shopping at the airports is ploughed back into providing new facilities for all our customers," says Sir John. "This means that passengers win both ways."

As so, presumably, does BAA.



A trip abroad is no holiday

Many staff feel entitled to keep perks, says **Michael Skapinker**

My recent article on this page asking whether business travellers should give their frequent-flyer points and cash rebates to their employers ("A partiality for perks", April 25) attracted the following riposte from a reader in Suffolk. "The fact that you have written the article at all is evidence of the common view of those left behind at the office, that leaping on to an aeroplane means that one is going on holiday.

"The serious business passenger is the victim of every inconvenience afforded by airlines, datelines and civil disturbance. He or she should be the beneficiary of any advantage, personally."

The majority of respondents held this view. A business traveller from Volkswagen said: "Why should the company penalise travellers and take away their little innocent pleasure of accumulating perks that they won't be able to use anyway? Remember, when they are on vacation they want to stay at home, not fly again."

A reader from the Netherlands added: "I hope you will also leave us with the benefit of another perk – the copy of the FT we receive on board."

However, one senior executive wrote: "Imagine if BA said: 'Choose our routing and flights for your next business travel purchase – even though they are a bit more expensive than the competition – and we will give you money in a brown envelope, addressed to your home.' Unarguably, a case of significant bribery.

"Yet staff have no qualms about air miles. Travel agents will tell you that executives will practically kill to gain air miles. Please don't attribute any quotes to me. I am in a minority of one, it seems."

Not quite. A substantial minority made the same point, adding that the company should also receive any cash rebates paid to travellers. One respondent wrote: "Any time spent travelling is working time, paid for one way or another as part of the contract of employment. If some of this time is wasted and there is compensation to be had, then the compensation belongs to the owner of the wasted time – the company."

Mr Geoffrey Budd, company secretary of Dixons, the electrical retailer, asked whether travellers who accepted frequent-flyer points or cash compensation could experience legal difficulties. "Where the employee is a director, there is an obligation not to make a secret profit and therefore he should account to the employer for all such benefits," Mr Budd wrote.

"If, as a matter of corporate practice (whether articulated or adopted by default), employees are allowed to retain these benefits, they are presumably disclosable to the Inland Revenue and liable to income tax. This may be less important so far as free flights are concerned, but could be significant in relation to cash compensation."

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	23	19	22	24	27
Hong Kong	31	31	32	32	32
London	17	13	14	15	15
Frankfurt	27	23	21	21	23
New York	24	18	16	14	18
L. Angeles	21	19	21	23	25
Milan	28	25	22	24	25
Paris	22	20	19	19	21
Zurich	25	28	16	19	21

Maximum temperatures in Celsius.
Information supplied by Meteo Consult of the Netherlands

Japan culture shock

For Nick Collins, licensing controller of Pringle of Scotland, it was an opportunity to become "immersed in an alien culture", learn a "horribly difficult" language, and find out about management styles on the other side of the world.

Collins is one of more than 500 young managers who has benefited from tha European Commission's Executive Training Programme in Japan – a 15-year-old scheme that aims to develope the presence of European companies in the Far East. Last week 40 more Europeans headed east to start the intensive 18-month course, of language training, factory visits, culture and business seminars and a secondment to a Japanese company.

Initial screening is carried out across the European Union by PA Consulting Group, with the final assessment in Brussels by the Commission (which pays the training costs and living expenses). Successful candidates range from managers in companies with sales as low as £2m to multinationals such as Royal Insurance and Michelin. Law firms, software companies and electronic components suppliers are among those represented in the latest group.

"All these companies are currently doing business in one way or another already with Japan, although often in very small volumes," says John Patrick; PA's recruiter. Up to 70 per cent of "alumni" are still directly or indirectly involved with EU/Japan trade and almost 50 per cent are living in Japan.

Pringle's Collins believes participants will get more out of the programme if they do a stint with their company in Japan when the course has ended. "It's a country that changes very quickly, it is easy to lose track."

Recruitment details from PA's John Patrick, 123 Buckingham Palace Road, London SW1W 9SR. Tel: 071-730 9000, Fax 071-333 5050).

Tim Dickson

Rings on their fingers: Bill Gates, Microsoft chairman, greets wedding reception guests with wife and employee Melinda French

AP

Cupid's arrow across the desk

Lucy Kellaway on reactions when colleagues fall in love

What do Bill Clinton and Bill Gates have in common apart from being at the top of their respective trees and having the same first name?

Both are married to colleagues. They are members of a club that includes Anita Roddick of Body Shop, Michael Green of Carlton Communications, and Derek Bonham of Hanson on its rapidly growing membership list. Some couples met through their work, some met first and then found a job for their partner, and some set up a business together. All are evidence of the same trend: business and pleasure are being mixed on a scale never seen before.

A recent survey by Alfred Marks employment agency shows that 60 per cent of employees have had an office romance, and half of these ended in wedlock or in cohabitation. A similar study in the US suggests a staggering 70 per cent of a cross-section of employees have had a relationship with a colleague.

In the old days bosses dated secretaries. As greater numbers of women are working in increasingly senior positions, men are marrying their equals at work. At British Airways, pilots used to wed air hostesses, yet next month the first husband and wife team of captains will be created when Jenny Fray and Steve Pock get married.

Traditionally, an office marriage was a signal for one partner to leave the company. Now there is less pressure to choose between job and spouse. Melinda French, who married Bill Gates, evidently feels no conflict between being the boss's wife and being a Microsoft manager. She is carrying on with the company as before.

Work romances are a mixed blessing for companies. "These relationships are an extra complication in the working environment," says Susan Bloch of career consultants GHN. "Companies need to be very sensitive about it or they can get into a mess."

Many companies say there is no policy because there is no problem. But research from Strathclyde Business School suggests that middle and senior managers in UK companies still disapprove of office affairs.

Companies that decide to take the ultimate sanction and fire one or other partner may be breaking the law. An office romance can only be grounds for dismissal if the employee's conduct is disruptive, or threatens to harm the employer's business. If a couple marry, one partner can only be dismissed if it can be proved that their continued employment would be impracticable, and the rules forbidding marriage are both reasonable and clear.

An industrial tribunal recently upheld the dismissal of a senior manager of a small UK company called Alarmco. He had been engaging in bizarre feats including a toast and jam fight with his secretary, with whom he was having an affair.

In another case Ann Tomen, a marketing assistant with Irish Bonding, was fired after her husband, who also worked there, left to work for a competitor. She contested the case, but a tribunal ruled that her sacking was fair.

Despite romances that end in tears, most office affairs cause little trouble. The majority view among UK companies is that relationships between members of staff are both inevitable and beyond the scope of corporate involvement. NatWest is typical in having no policies at all. "It's just not a problem," says the company.

At the other extreme are some US corporations which forbid employees from dating. According to Michael Rubenstein, editor of Equal Opportunities Review, some companies have taken this route to protect themselves from litigation.

He says office romances raise several thorny issues for businesses. The first is sexual harassment. "The concern is that if you have a relationship that goes wrong, and one party wants to continue, you have a ready-made case of sexual harassment," he says.

A further problem is conflict of interest. This can arise if the couple work closely together. Soma employers think this problem sufficiently serious to have rules to keep couples apart. At Arthur Andersen couples are not allowed to work in the same business unit. "The basic policy is that partners should never be in the position where one supervises the progress of another," says the company, adding that the rule applies not just to couples but to members of the same family.

McGraw Hill takes a slightly more flexible approach. "We deal with every situation on its merits. Where there may be a potential conflict, we review it," the company says. "It is an issue if the man is married to someone more junior in the department, and others think the partner is getting more favourable treatment. If that person isn't a good performer, it could be harder for their husband to talk to them."

For most companies there is much to be said for doing nothing. "We know that people are more likely to meet their partners at work than anywhere else. Usually it means more loyalty not less," says Angela Baron of the Institute of Personnel Management. "The only time there is a problem is when people fall out. If that creates an atmosphere it should be dealt with under normal performance management techniques."

There is some evidence that couples can be an asset rather than a potential problem. American research shows that morale and absenteeism improve when a workplace romance is in full swing.

David Norburn, director of the Management School at Imperial College and his wife Sue Birley are a veteran career couple. Over the past 23 years they have held jobs together at six different business schools and universities, but found some more accommodating than others. "A bad response is the fear factor of the power of two people working together. A good response is that a couple gets up to speed more quickly. One plus one equals more than two," says Norburn.

In his latest job at Imperial, he is her direct boss. He admits that there is a danger that some colleagues could suspect favouritism, just as there is a similar risk that he might be unfairly severe on her. He thinks these problems are minor compared to the advantages. "The real plus is that you can gossip about the same people."

Others might complain that dinner at home is not much different to lunch in the staff canteen.

More power to the team

Christopher Lorenz explains why managers do not always know best

Performance measurement systems for multi-functional teams should not be designed by managers, but by the teams themselves. Nor, except in extreme circumstances, should managers intervene when measures show that problems are developing: the teams should be left to take the necessary remedial action themselves.

These are two of the many far-reaching changes which companies must make, according to Christopher Meyer, an American consultant, if they are to succeed in the popular attempt to replace their traditional "functional" (departmental) structures with cross-functional, or "process-focused" organisations.

Many executives have not yet even realised that they need new types of measures if multi-functional teams are to succeed, Meyer claims. But even where this need has been recognised, managers often use the new measures to reinforce their own power, rather than that of the teams, he argues in an article in the latest Harvard Business Review*.

A measurement system designed to support a process-based organisation should help teams overcome two basic obstacles to their effectiveness, says Meyer: getting functions to provide expertise when it is needed; and getting people from different functions on a team to speak a common language.

As Meyer argues, traditional measurement systems fail to solve these problems in several respects. First, their primary role is to pull "good information" up the organisation, so that senior managers can make "good decisions" that flow down it.

To that end, each relatively independent function has its own set of measures. Marketing tracks market share, operations watches inventory, finance monitors costs, and so on. Such "results measures" tell the various parts of an organisation where they stand, but not how they got there or what either they or the organisation as a whole should do differently. As Meyer puts it, the few cross-functional "results measures" in most organisations are financial: revenues, gross margins, cost of goods sold, capital assets, debt and so on. They "exist only to help top managers".

By contrast, "process measures" monitor the activities throughout an organisation that produce a given result. They are essential to help cross-functional teams deliver an entire product or service, such as order fulfilment or product development.

Staffing is a far more helpful measure than most companies realise, he suggests. If it covers not just the number of people, but also the years of experience in main job categories, it can have a marked effect on a team's performance, he says. If particular staff are missing at a particular stage in a project, time-consuming and expensive problems arise later.

Contesting the popular view – especially in the US – that "what gets measured gets done", Meyer advises strongly against the temptation to pile measure upon measure. Otherwise, team members end up spending too much time collecting data and monitoring their activities, and not enough time managing their projects. In general, a team should have no more than 15 measures.

Meyer illustrates his warnings against relying on traditional measures, and also against managers using a team's measures to reinforce their own control, with episodes that hava occurred at Ford in the US. In one case, the result of executive intervention in a product quality project was frustration for team members and managers alike, and also delay.

Meyer fails to explain how an organisation can avoid incompatibility and chaos when it allows teams of various shapes and sizes to design their own measures. But his overall message is powerful all the same: that "managers must never make the mistake of thinking that they know what is best for the team".

**How the right measures help teams excel. Reprint no 94305. Fax (US) 617-495-6985.*

CONTRACTS & TENDERS

PROCUREMENT OF CONSULTING SERVICES FOR CONCESSION OF INTERNATIONAL AIRPORTS' OPERATIONS AND ADMINISTRATION IN ECUADOR

THE GOVERNMENT OF ECUADOR has initiatad tha procass of modarnizing its airport administration and oparations activitias. The Governmant is saaking axpressions of intarest and briaf Statemants of Qualifications from consortiums of legal, technical, accounting, and investmant banking and promotion firms with axparianca in tha dasign and astablishment of concession contracts for the operation and administration of airports.

THE REFORM PROGRAM will be implamanted by the National Council for the Modernization of tha State (CONAM) in coordination with tha National Civil Aviation Authority. It would include separate concession contracts for the administration and operations of Gueyaquil and Quito'a International Airports.

INTERESTED CONSORTIUMS ARE REQUESTED to sand, through a sola representative, any readily availabla information demonstrating private sactor participation experience in airport administration. Please send Statement of Qualifications in English or Spanish, including Curricula Vita of staff that could ba assigned in Ecuador and client references of recently complated projects to tha address below prior to May 31, 1994.

Mr. MARCEL LANIADO DE WIND
NATIONAL COUNCIL FOR THE MODERNIZATION OF THE STATE
JUAN LEON MERA 130, 9th. Floor
QUITO, ECUADOR
FAX: (5932) 509-437

INVITATION FOR BIDS

The Ministry of Public Order of Albania invites sealed bids for the purchasing of the New Albanian Passport, with budgetary funds, through International and Local Competitive Bidding.

Total need will be 2 million pieces, from which 700,000 in the first year, accompanied by the equipment for computerisation printing and laminating.

Cost of Bidding Documents USD 200.

Bidding Documents can be obtained from Trade Relation Department of MPO on submission of a written application and upon payment of the mentioned non refundable fee into the account no 1388/107/01, maintained by the MPO at the National Commercial Bank of Albania-Tirana/Albania.

These documents will be available from the Trade Relation Department and can be obtained from the same, every day from May 20, 1994 at 12.00-15.00.

Bid submission deadline and public bid opening date: June 30, 1994, 12.00 Midday at MPO.

Bids will be opened in the presence of those bidders representatives who may choose to attend at above mentioned date.

Further information can be obtained from:

TRADE RELATION DEPARTMENT/MPO
Mr Arben Kelliçi
Tel: +355 42 26801 3255
Fax: +355 42 27520

LEGAL NOTICES

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place at 11:30a.m. on May 30, 1994 at the registered office of the Company, 6 John B. Gorsiraweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

1. Report by Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1993.
2. Discharge and subsequent re-election of the Board of Supervisory Directors.
3. Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1993.
4. Presentation of the Net Result of the period December 1, 1992 through November 30, 1993.
5. Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1993 and as presented in the report of the accounting firm of Ernst & Young dated April 20, 1994.
6. Discharge and subsequent re-election of the Board of Managing Directors.
7. Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomante Corporation N.V., authorizing Yvomante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvomante Corporation N.V. 6 John B. Gorsiraweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvomante Corporation N.V. as to the voting of their shares by writing to Yvomante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
BY: MeesPierson Trust (Curaçao) N.V.
Managing Director

THE MONDAY

People page

Branching away from the ranch

Ted Waitt tells Katharine Campbell how he made Sioux City the Gateway to the world's personal computer-users

One of the typically eccentric "milestones" by which Gateway 2000 chooses to chart its growth was July 1992, the month the gravel parking lot was paved.

Ted Waitt, 32, who created the world's ninth largest vendor of personal computers from a farmhouse in Iowa nine years ago, cares deeply about such things. "The gravel symbolised our philosophy of keeping the cost of doing business low, and not losing sight of our roots." The rest of the staff, with their mud-spattered cars, eventually won him over, but even then, a colleague had to send in the engineers to explain why keeping his own space unpaved would be a symbol too far.

Now the largest mail-order PC vendor in the US, Gateway sold $1.73bn worth of IBM-compatibles in 1993, 56 per cent more than the previous year. It claims to be leaner and meaner than its rivals, including Dell, the industry pioneer of direct marketing.

Dispensing entirely with dealers and their mark-ups, Waitt assembles machines using brand-name components, and addresses its computer-literate, price-sensitive clientele through ads in specialist magazines. That works even for sales to large corporations, at least those with decentralised purchasing organisations. If the function is centralised "you have to do a lot of schmoozing. We don't schmooze much: it's expensive," Waitt explains.

Convinced the formula would travel, Gateway established a subsidiary in Dublin last October, from where it wants to service the rest of Europe. Sales in the UK have gone better than expected, but the continent will be far trickier. Waitt unveiled his French models at the beginning of this month, and Germany is pencilled in before the end of the year. Rivals are deeply sceptical that the relatively unfamiliar mail-order approach will catch on.

But if it wasn't a high-wire act, Waitt wouldn't be having fun – which he patently is. The antithesis of the computer nerd, his gifts are not those of the technical visionary; his is basically a highly gifted sales and marketing brain.

When forced to sit down, the nervous energy is challenged alternately into fiddling with his lank pony tail and getting through the daily two packs of Camels. No friend of the business suit, he made his mark in London a few years back by showing up at a black tie ceremony in cowboy boots and a string tie. Given his apparent restlessness, it comes as a slight surprise that he has settled down to a wife – Joan is a real estate broker – and two young kids.

Product of the boondocks of Sioux City – and proud of it – Waitt happily admits he had always set out to make money, "and, um, for whatever reason, I was fairly convinced I would be successful at something".

As the marketing literature for Gateway will not let you forget, the Waitts have been in cattle for five generations, but Ted, it seems, was not exactly encouraged aboard. Instead, he took himself off to the University of Iowa, where he failed to stay the course in finance and marketing – "college in America doesn't prepare you for a whole lot of anything" – and went to work as a salesman in a computer store in Des Moines.

Then, as now, no gizmo freak, he started off knowing nothing about PCs – but nine months later was in business on his own. Mike Hammond, whom he met at the store, provided the technical brains and his elder brother Norm – trained in the family cattle business – the financial nous. Ted, meanwhile, did what he does best – selling.

Ads have been a company trademark from the start. At first Waitt wrote his own copy and the creative work is still done in-house – including that for Europe. And of course he continues to star in the big parts in the ads: he posed in pirate gear in the US; as King Arthur for the UK launch; as Lafayette for the French. It is all intended to reinforce the company's home-spun philosophy – which is also why the packaging is covered in splashes of black and white – supposedly reminiscent of cowhides.

His taste for convertibles and jet-skis aside, Waitt claims he actually doesn't like spending money. He certainly kept his hands off the cash as the business grew. Started on $10,000 secured against Granny Waitt's certificate of deposit, the company still makes much of its low gearing. Gateway belonged solely to him and his brother until 15 per cent was floated on Nasdaq last December.

Like a child who resists growing up, Waitt does not relish everything that running a big company entails. Outside shareholders, he concedes, are indeed "a *bit* of a nuisance, yes". He also affects not to track the share price: "It would drive me crazy".

One can see his point. Launched at $15, it motored up to $24, but was last week lingering only just above the low of $13.5. Even if Gateway's net margin of 4.1 per cent is still one of the best in the business, Wall Street disliked being surprised by the 1994 first quarter earnings – down 2.7 per cent on a 12 month comparison. Waitt is only just learning – reluctantly – to play the game. And his investor relations man, Jim Wharton, who joined last autumn after having been mayor of Sioux City, certainly followed an unusual path to the post.

Earnings were down partly because an unexpected change in "bus" technology, the process by which data is moved around within the PC, caught the company on the hop. The problem illustrates the ever-preseot risk of being tripped up by change in a business where minimal inventory is a crucial compooent of cost minimisation.

The company was also eventually forced to allocate more resources to its (free) customer support service when some other software companies began to charge for after-sales assistance.

Waitt does not deny the difficulties. "Six months ago, the time spent on each call suddenly went up by about 50 per cent." "We are finding we are giving DOS lessons over the phone – people stay on the line for four or five hours, particularly at night." Unhappy customers complain that at one point last year their calls might not be returned until the following day.

Another thing Waitt has disliked, ona suspects, has been the need gradually to cede control to others. Bob Spears, managing director of the European operation, observes that Waitt loves coming to Dublin. "He likes to be around a Gateway of just 200 people again."

Founded a year before Gateway, Dell, which plunged into loss for the first time in 1993, is further down the road to adulthood – and struggling. What lessons does he draw?

"Dell is a very different company" begins Waitt, who himself could not be more different from his earnest, terribly mature, but actually younger rival Michael Dell. He believes that if you combine mail order with more traditional selling – as Dell does – managing it becomes very complicated.

While Waitt thinks he has already achieved "critical mass" sufficient to survive among the big boys, there are hurdles aplenty ahead. Europe will almost certainly prove tougher than he imagines, to begin with. At the same time, Gateway's strength to date does lie in its marketing and distribution formula; if margins are cut to the bone on PCs, Waitt could always shift to mobile phones, or almost anything else.

So how can he prove Gateway is not just another a rocket chip, in the jargon? Much fingering of the pony tail. "That's the tough part," he says.

Personae ...

Chapman: poised to 'take on more' for Nomura Securities

Max Chapman, the combative American who in the past four years has turned Nomura Securities' sleepy and unprofitable US operation into an unlikely Wall Street success story, was asked recently if he would stay with the Japanese firm when his contract expired in September, writes Patrick Harverson. He replied: "At some point, Nomura will say to me: 'We would like you to do something more.' Or I'll decide to do something else."

Well, now it seems that Nomura has asked if Chapman would like to do something more: namely, take over the additional task of running the firm's London operation. And it looks as if the ambitious Chapman is ready to accept the offer.

Although the details of his appointment as chairman of Nomura International in London were still being worked out last week, an announcement is expected within a few days. If he does take charge of London, and with it the rest of Europe, it will be an acknowledgement both of Chapman's growing influence at the world's largest securities house, and of the importance that Nomura places on integrating its far-flung overseas operations into a unified whole.

Like many securities houses with global pretensions, Nomura has discovered that competition and rivalries between its separate foreign units has been counter-productive, not to mention costly. To rectify the situation, Nomura wants to merge its individual fiefdoms, and Tokyo clearly believes Chapman is the man to get US, London and Europe all reading from the same page.

Assuming he accepts the offer, the tough-looking and tough-acting Chapman is likely to bring to London the same intensity of purpose that he brought to New York, which, after a few run-ins with Tokyo, he eventually turned into a smart, and highly profitable US-style securities house.

Rapid Path for Donovan

Ever flown in or out of New York and cursed the lack of any rapid transit link between the city and its airports, asks Richard Tomkins. Then meet someone who hopes to help put that right – Kathleen Donovan, the first woman to chair the Port Authority of New York and New Jersey.

The Port Authority is an odd institution. Apart from running the three main airports – JFK, La Guardia and Newark – it operates the PATH rapid transit system linking Naw Jersey and Manhattan, six interstate toll bridges and tunnels, two bus terminals, a ferry service, the New York-New Jersey port, three industrial parks and the World Trade Centre. It has annual revenues of nearly $2bn, but as a self-governing public agency it is accountable to neither electors nor shareholders.

Could things change under Donovan? An attorney, an active Republican and a former New Jersey legislator, she was appointed to the board by New Jersey's Republican governor, Christine Todd Whitman, for whom she campaigned in last year's state elections. Given that context, you might think a touch of privatisation could be on its way.

Donovan, however, is reluctant to be cast in the role of revolutionary. If anything, she seems set to expand the authority's business empire further by pressing ahead with plans for a rapid transit system linking JFK and La Guardia airports with Manhattan. True, that will be expensive, she says: "But then nearly everything the authority does is expensive."

Still, Donovan, 42, does not rule out a growing role for the private sector. The management of some of the authority's functions could be contracted out even if the ownership does not change, she says. "I am sure you are going to see a lot more public and private sector partnerships."

Saenz poaches from BBV

After its takeover two weeks ago by Banco Santander, wits said that Banco Español de Credito, Banesto, should more properly be called Banco Santanderino de Credito and known as Bansanto, writes Tom Burns. But perhaps it ought to be identified as Banco Vizcaino de Credito, Banvito; and Banco Bilbao Vizcaya, BBV, the bank that was outbid in the auction, should simply be referred to as Banco Bilbao.

The key to all the playing with name-tags is Alfredo Saenz, 52, chairman of Banesto, former vice-president of BBV and former heir apparent to Banco Vizcaya before the latter merged with Banco Bilbao in 1988. Saenz, an acknowledged troubleshooter in the domestic banking business, was "lent" by BBV to rescue Banesto after the Bank of Spain's intervention at the end of last year. Santander duly scooped Banesto and immediately asked Saenz to run its prize.

Saenz not only accepted the offer but also persuaded eight colleagues to leave BBV and join him on Banesto's management board. To a man, the Saenz-picked team has an emphatical Vizcaya pedigree.

The most senior defector, after Saenz, is Banesto's new managing director, Victor Manuel Menéndez Millán, 53. He was Vizcaya's treasurer at the time of the merger with Bilbao and went on to be a member of BBV's management board with responsibility for information systems.

The Saenz-inspired stampede of Vizcaya managers into Banesto is likely finally to pare BBV down to its Bilbao bone. Three years ago Francisco Luzón, once Saenz's rival first at Vizcaya and then at BBV, became chairman of Argentaria, and has since lured some 70 one-time Vizcaya employees away from BBV to the state-controlled bank.

Colin Amery signs off from this page

Architecture as an art

Is architecture art? It is a fair question, since this is my last Monday column for the FT on the Arts page – although I shall still be writing for the FT and still on a Monday.

Once upon a time, especially around the last turn of the century, it was commonplace to talk of architecture as "the mother of the arts". Today the debate about architecture has become the mother and father of all debates, but whether or not it is an informed debate about artistic virtues is highly questionable.

Even the secretary of state for the environment joined the militant tendency of architect haters last week by describing many of them as "arrogant creators of brutal and alienating buildings". Of course Mr Gummer is not wrong; but he should be aware that in the last decade things have improved considerably.

There is greater public awareness of architecture, brought about by a reaction to both the brutal horrors of the 1960s and the boom follies of the 1980s. There is more informed interest in conservation – witness more than two million members of the National Trust, a lively conservationist television programme (BBC 1, *One Foot in the Past*), and the growth of "historic home" magazines.

At the commissioning level, there is much more concern about hiring good architects, which in turn has lead to more competitions, as developers realise that good buildings are good business.

During the period I have been writing on this page, I have been lucky enough to sit on many juries and competition adjudications and have been involved with a range of new buildings that all demonstrate architecture as an art, and never as just a hand maiden of nihilist modernist propagandists.

The Sainsbury Wing of the National Gallery in London by Robert Venturi and Denise Scott-Brown succeeds in being a complex work of art in itself while never overwhelming the paintings. The Supreme Court in Jerusalem designed by the Karmi brother and sister team is a unique example of a late 20th century monumental building that is timeless in its relationship to its environment, in this case the sensitive stones of the Holy City. At the Tate Gallery at St Ives, Cornwall, Eldred Evans and David Shalev produced a building of such pristine clarity and form that it gleams as a work of art almost more brightly than some of the collections it displays. It was an excess of talent which divided the jury of that competition.

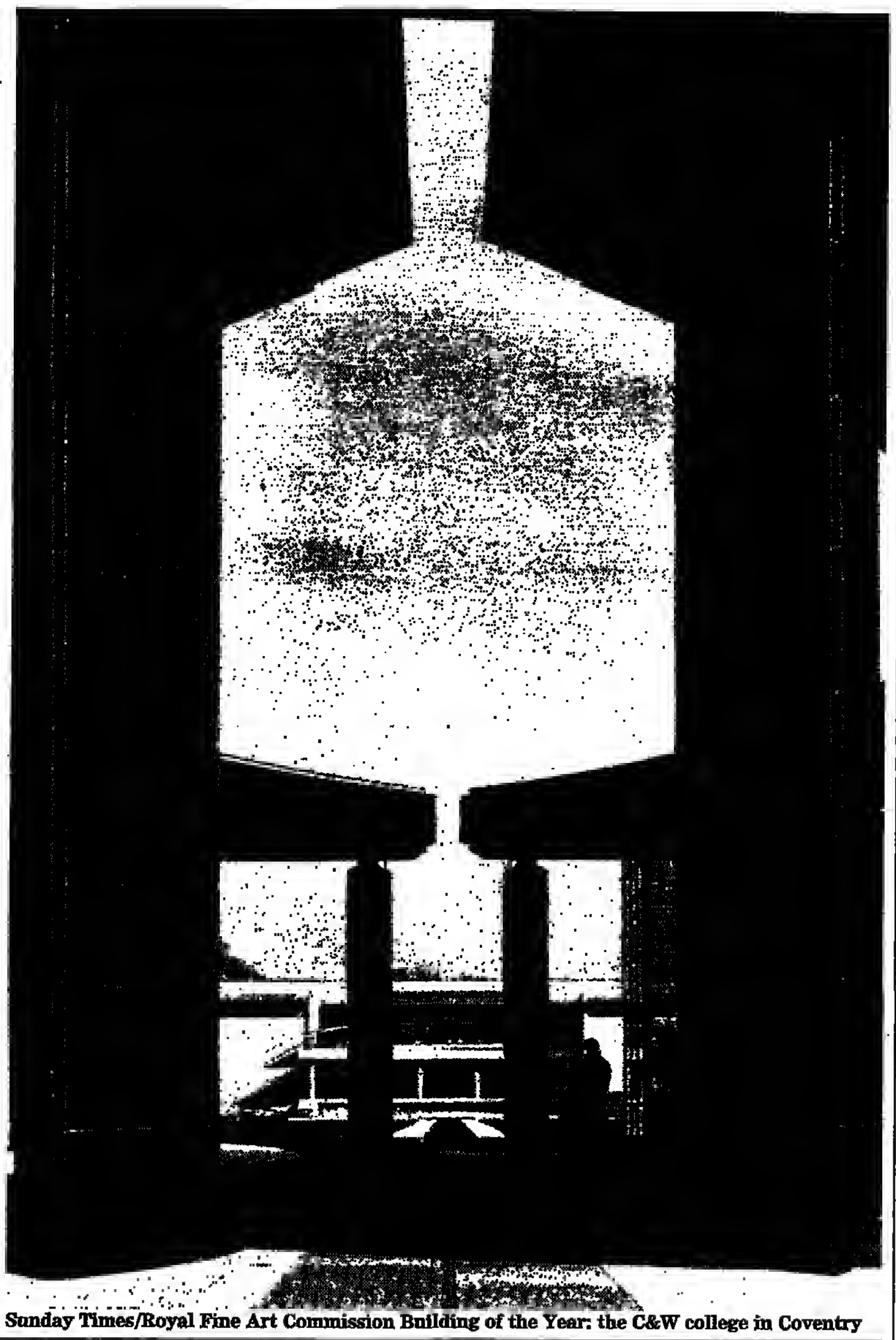
The debates and discussions that took place during the selection of architects for these three buildings was always at a highly intense level. Client bodies and benefactors for buildings of this calibre should never be under-estimated: they show great concern and, in some competitions, are frustrated by the lack of an adeqnate creativa response from architects.

What has become increasingly clear, is the need for architects to bring practicality and art together. This is not such an Herculean task if architects are prepared to take the client on board as they move from concept to detail. Clients often know far more about the way they want their buildings to work than the architects – and there is such a thing as creative collaboration.

There were some happy signs in last week's Sunday Times/Royal Fine Art Commission Architecture Awards that commerce and industry have, despite the recession, completed some innovative and worthwhile new buildings.

The Building of the Year 1994 went to the Cable and Wireless College in Coventry, designed by MacCormac Jamieson Prichard. Cable and Wireless has shown itself to be a brave patron. For its refurbished *London* office, sculptor William Pye was commissioned to design a brilliant water feature. In Coventry, its training school for advance communication technology does not adopt the obvious architectural language of "high-tech"; it is much more low tech, almost vernacular, with its sweeping roofs and lattice of glazing. Commerce triumphed, too, with a dazzling new Sainsbury store at Canley, also near Coventry, an elegant glass and steel pavilion designed by Lifschntz Davidson.

Both Sainsbury and Cable and Wireless are major companies that see the real value of good design. These two new buildings are worthy prize winners because they bring art to life. That must be the role of good architecture.


Sunday Times/Royal Fine Art Commission Building of the Year: the C&W college in Coventry

Opera/**Richard Fairman**

The Kirov Opera

The energy of the Kirov Opera under the artistic directorship of Valery Gergiev seems to know no bounds. Plans for the link-up with the Royal Philharmonic Orchestra show it venturing beyond the concart performances of Russian operas that one thought to be its limit to Wagner, Mahler and Berlioz in 1995.

This year the operas of Rimsky-Korsakov are the Kirov's focus of attention, although that does not mean any less effort and activity. In June the company has the "White Nights" Festival in St Petersburg. In July it is visiting the Mikkeli Festival in Finland and Istanbul. By late autumn it has reached Paris, where the Théâtra des Champs-Elyseés is presenting four operas, including Rimsky-Korsakov's *Sadko* and *The Legend of the Invisible City of Kitezh*. Do Gergiev and his team never tire?

Friday's concert at the Barbican offered a foretaste of *Kitezh*. This was the second in the RPO/Kirov series (following their success with Tchaikovsky's *Iolanta*) and suggested that Gergiev and the orchestra have formed a good working relationship. A suite from the opera featured some delicately atmospheric sonorities and playing so quiet that it could have been Simon Rattle holding the baton. Rumours of minimal rehearsal tima were not obviously borne out.

Just as one can expect fairies tripping through Mendelssohn's music, so Rimsky-Korsakov invariably wallows in the high romance of fairy-tale. Give him a stage direction that calls for a snowstorm swirling around a castle in a magic kingdom and Rimsky-Korsakov will respond with mysterious divided strings and harps sweeping up and down glissandos.

That is the opening tableau of his one-act opera *Kashchey the Immortal*. Its story of a captive princess rescued from the clutches of an ogre with supernatural powers is typical Russian folk-tale, for which the composer mixed a blend of his usual luscious orchestral colours with a distinct Wagnerian tint (especially the *Walküre* storm). This was said to be the first UK performance of the opera and Gergiev made it a vivid one.

Whenever singers from the Kirov appear, there is one who makes a big impact. This time it was Larissa Diadkova, who delivered the goods in no uncertain fashion as Kashcheyevna, the Kundry-like figure who lures knights to their doom on her enchanted island; her Slavic mezzo has a bite and force with which one would not like to argue. The soprano Marina Shaguch sang a nicely wicked Lullaby as the princess who wishes everlasting sleep upon her captor. Konstantin Pluzhnikov was the Mime-like Kashchey, supported by Alexander Gergalov and Vladimir Ognovenko, the baritone and firm bass. The London Choral Society doubled for the Kirov Chorus – an uneviable task.

Sponsored by The Regent, London

La vera storia

On a rainy Saturday, Lnciano Berio's opera *La vera storia* crowned the South Bank's festival of his music magnificently – perhaps even beyond the expectations of the festival-planners and the BBC, who put this concert version on.

Premiered at La Scala in 1982 but new to Britain, *La vera storia* was here "semi-staged" by Tim Hopkins, as tidily as could be managed on a stage crowded with Berio's very large orchestra.

Berio's dramatic plan for Act 1 involves only bare archetypes on the 19th century Italian model: as exemplified by the four principals of Verdi's *Il trovatore* – their operatic voice-types, their standard roles, sentiments and fraught relations and by his lusty crowd-choruses. There *is* no story (true or otherwise), just a second-order "story" about what those musical stories were like and what they meant. So far, so Italo Calvino, who indeed wrote the libretto.

He and Berio discussed ideas for the opera in 1977, and soon he supplied the words, first for the archatypal chorus in its many moods, jocularly unbuttoned or feral or political, and then for the soloists, stereotypical too but more elevated. At that point Calvino apparently withdrew to let Berio develop his own plan for Act 2. It recycles the music and most of the first-act words, with some re-ordering and reassignment to different voices, for a more immediate drama: an urban nightmare of modern authoritarianism, with the 1969 Milan scandal about the death-in-custody of the anarchist Pinelli at its polemical heart.

Berio conducted the BBC Symphony with many extra players, its full-time singers, its part-time chorus and various electronics chaps, to hugely assured effect. In Act 1, which proceeds in block-like distinct numbers, the chorus shone in theirs, as did the peripatetic brass band. For some of the excellent soloists, the onslaught of Berio's exposed, brass-heavy orchestra (designed for quarantine in an opera-pit) was daunting but not for Felicity Palmer's "Azucena" archetype: indomitably eloquent, and superbly forceful in tragedy-vein.

Still less Milva's stentorian ballad-singer, intruding brassily wry, down-to-earth songs amid the idealised operatic routine of Act 1 (*vide* Zerbinetta in Strauss's *Ariadne*,and Brecht *passim*). Berio intended the successiva ballads for various voices, but since Milva can deliver every one to perfection she sang them all. Between them, Milva and Miss Palmer claimad Berio's most intimately characterful vocal lines, inspired by the accents of southern Italian folk song.

In Act 2, where the orchestral weight is more fluently lightened, all the other soloists (Sue Patchell, Luisa Castellani, Michael Myers, David Wilson-Johnson, Jeremy White and Peter Hall) came into their own, as did Berio's jazzy clarinet and saxophone. If the semi-staging left the implied action vague, the music rendered it cruel and clear – but visionary too. Though at the very least *La vera storia* is agit-prop of a high order, all its best music transcends that. A full staging at Covent Garden or the ENO would be an exciting prospect.

David Murray

Kunsten Festival des Arts

Alastair Macaulay welcomes an important new theatrical event

Brussels, centre of tha European Union, has a new international arts festival – the Belgian Kunsten Festival des Arts. Britain, the most notoriously Eurosceptical of EU nations, is not represented.

The festival, which runs throughout May, has offerings from France, Germany, Italy, Holland, and Belgium; from China, Taiwan, Hong Kong, South Africa, and from the US, but nothing from Britain – which places it in the company of Luxembourg, Denmark, Austria, Spain, and Greece. What does this say about Britain's artistic standing in Europe?

The emphasis of this first Belgian festival (others are likely to follow in later years) is on progressive theatre. The few dance offerings consist of modern dance (inclnding a world premiere from Merce Cunningham, on May 18). No ballet, no opera, no Shakespeare. Is it not odd that Brussels, possibly the world's most bourgeois city, should house so new-wave a festival in no less than 17 auditoria? Odd to a Brit, maybe. But "épater les bourgeois" has so long been a motto of much continental European art that one should hardly be surprised. Particularly in European theatre, tradition is seldom considered a virtue.

Stanislas Nordey, the 28-year-old director of the Compagnie Nordey, has not only staged Pasolini's long play *Pylade*, he also prefaces it with Iannis Rissos's short soliloquy *Chrysothemis*. *And* he begins his show with the actors sitting at a table in front of the raised stage, facing us, like speakers on a panel.

Both *Pylade* and *Chrysothemis* are rampantly revisionist. They focus on characters who in Greek literature were never more than also-rans: Pylades, the loyal friend of Orestes, and Chrysothemis, the timid sister of Orestes and Electra. Nordey has the soliloquy *Chrysothemis* spoken by another of the panel-spaakers, but, as she develops her monologue, she rises through a series of statuesque positions, until her feet are planted on the table.

Pylade, which follows, gradually opens up the whole stage area. This, an altogether more serious and political re-telling of legend, begins just where Aeschylus's *Oresteia* end. The court in which Athena has freed Orestes from the charges of the Furies was the beginning of rule by law rather than religion; and Orestes replaced tyranny with the first democracy. Here – echoing or pre-echoing post-revolutionary France and Russia – there is intense debate about the role of religion and the nature of government. Electra proves to be a nostalgic reactionary; Pylades is conservative enough to call for religion and a return to pre-civilised values.

So far *Pylade* has been interesting but laboured. When Pylade takes his ideals into exile, the play remains highly symbolic, but becomes more fully a play; his journey reminds one at times of Shakespearian heroes – Henry VI, Hamlet, even Lear. And it is now that Nordey's direction starts to flower, and to reveal the physicality for which the advance blurb celebrates him.

The actress playing the Furies has a marvellously incessant, restless, tread on the spot, while – caught in a blaze of side-lighting – she holds her arms in a single huge martial gesture and inflames Pylade with her rhetoric about removing the barriers between high and low. Just as memorable is the tall male Athena, a figure of justice who becomes more bizarre, indeed camp, with each appearance, until he/she is virtually unrecognisable.

Nordey's production is a long epic – four and a half hours – but despite its frequent post-modern self-awareness it has a cumulative power, and becomes a serious exemplum of the *Théâtre de Parole* championed by Pasolini ("Theatre of Dialectic"). The title role and most other parts are played with great dignity and humanity.

In utter contrast, but also commenting ironically on the legacy of the past, is *Murx...*, from the Volksbühne in Berlin, directed by the Swiss Christoph Marthaler. Eleven peopla sit in a huge dilapidated hall without communicating, like inmates in an institution. They have their fatuous routines – tea, cake, washing – and each person, though stunted in some way, is a highly individual character, pathetic and funny. The one routine that transforms them is singing; and their songs – whether folk, popular, or national anthems – are all highly German.

Singing, these disparate Germans suddenly co-operate, sometimes in elaborate harmony. They are so foolish as individuals that it seems to be sheer accident that, the more nationalist their music, the more harmonious they become. Marthaler paces all this so well that the central meaning of the piece – the disturbing power of nationalism and anthems to galvanise people who usually are silly incompetents – never clobbers you. Superb performances by all.

These two are large productions, and have launched the festival impressively. There are other, much more intimate stagings.

I will report later in May on further offerings of this festival. It is not only patriotism that makes me wish some British theatre was included. Yet, since three of the four events I watched in May 1-2 were so interesting, this Brit can only commend the festival's start and look forward to more.

The Kunsten Festival des Arts, Brussels, continues until June 5

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Staatsoper unter den Linden Tonight, Wed, Sat, next Mon: René Jacobs conducts Fred Berndt's production of Graun's Cleopatra e Cesare, with cast headed by Debora Beronesi, Janet Williams and Lynne Dawson. Fri: Christa Ludwig song recital. Sun: Meistersinger with Günter von Kannen, Reiner Goldberg and Siegfried Vogel (200 4762/2035 4494)

Deutsche Oper Tonight: Wagner-Soiree. Tomorrow: Jost Meier's new Dreyfus opera, staged by Torsten Fischer and conducted by Christopher Keene, with cast headed by Paul Frey. Wed, Sat, next Mon: concert performances of Il Pirata with Lucia Aliberti. Thurs: Der fliegende Holländer with James Morris and Julia Varady. Fri: Peter Schaufuss' production of Giselle. Sun: Aida with Julia Varady and Fabio Armiliato (341 0249)

CONCERTS

Philharmonie Tonight: Günter Wand conducts Berlin Radio Symphony Orchestra in Bruckner's Eighth Symphony. Wed: Mikhail Pletnev conducts Berlin Symphony Orchestra in symphonies by Beethoven and Tchaikovsky. Thurs: Daniel Barenboim conducts Chicago Symphony Orchestra in Debussy, Strauss and Brahms. Sat: Maurizio Pollini plays Beethoven piano sonatas. Sun, next Mon, Tues and Wed: Pierre Boulez conducts Berlin Philharmonic Orchestra and Radio Chorus in works by Stravinsky and Ravel (2548 6132)

Schauspielhaus Tomorrow: Christine Edinger violin recital. Wed: Balazs Kocsar conducts Hungarian National Philharmonic Orchestra in works by Brahms, Dohnanyi and Franck. Thurs, Fri: Klaus Tennstedt conducts Berlin Staatskapelle in Bruckner's Seventh Symphony (2090 2156)

Komische Oper Thurs: Yakov Kreizberg conducts Orchestra of the Komische Oper in works by Shostakovich and Bruckner, with violin soloist Victor Tretiakov (229 2555)

THEATRE

Peter Stein gives readings from Goethe's Faust Part Two on Tues and Thurs this week at Martin Gropius Bau, and on Wed, Fri and Sun next week (2548 8132). A new production of the musical Funny Girl opens at Metropol-Theater on Fri (2036 4117). Repertory at Deutsches Theater includes Ionesco's The Bald Prima Donna, Ibsen's Peer Gynt and David Mamet's Oleanna (2844 1225)

■ NEW YORK

THEATRE

● Passions: Stephen Sondheim's new musical based on Igino Tarchetti's 1869 novel about a woman's unrequited love for a handsome young army captain (Plymouth, 236 West 45th St, 239 6200)

● Broken Glass: set in New York in 1938, Arthur Miller's new play is a compassionate study of paralysis in the face of crisis (Booth, 222 West 45th St, 239 6200)

● All in the Timing: six sparkling short plays by David Ives add up to one enchanted evening (John Houseman, 450 West 42nd St, 239 6200)

● Medea: Diana Rigg gives a magnetic performance in this production of Euripides' tragedy, an import from London'a Almeida Theatre directed by Jonathan Kent (Longacre, 220 West 48th St, 239 6200)

● Three Tall Women: a moving, poetic play which has just won Edward Albee a Pulitzer Prize. Myra Carter, Marian Seldes and Jordan Baker represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)

● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts (Richard Rodgers, 226 West 46th St, 307 4100)

● The Sisters Rosensweig: Wendy Wasserstein's most successful play to date, a comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● The Rise and Fall of Little Voice: Hynden Walch portrays a painfully shy woman with a remarkable singing voice in this play by Jim Cartwright. A Steppenwolf Theatre Company production from Chicago (Neil Simon, 250 West 52nd St, 307 4100)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

DANCE/CONCERTS

Metropolitan Opera American Ballet Theatre's Spring season runs daily except Sun till June 4. This week's repertory includes Kenneth MacMillan'a Manon and Kevin McKenzie's full-length version of Nutcracker (362 6000)

State Theater New York City Ballet's Spring season runs daily except Mon till June 26, with choreographies by Balanchine, Robbins, Martins and Tanner. Mikhail Baryshnikov will perform Jerome Robbins' A Suite of Dances (Bach) on May 27 and 29. Tha Diamond Project, a biennial event dedicated to new neoclassical ballets, runs from May 18 to June 18, featuring the work of Ulysses Dove, Richard Tanner, Robert La Fosse and nine other choreographers (870 5570)

Avery Fisher Hall Tomorrow: Kurt Masur conducts New York Philharmonic Orchestra in all-Beethoven programme, with piano soloist Emanuel Ax. Wed: Kiri te Kanawa is soloist with Orchestra of St Luke's. Thurs, Fri morning, Sat, next Tues: Masur conducts world premiere of Paulus' new double concerto, plus works by Strauss and Brahms (875 5030)

JAZZ/CABARET

Algonquin Hotel Andrea Marcovicci has embarked on an Irving Berlin tribute, mixing some rarely heard early pieces with classics like Cheek to Cheek (59 West 44th St, 840 6800)

Ballroom Singer Michel Hermon and accordionist Gerard Barreaux are in residence this week with a Piaf-inspired programme. No sets, no props, no frills - just two guys in black outfits making music like there's no tomorrow. Cabaret legend Blossom Dearie presents an early show at 6.30 pm on Fri and Sat evenings (253 West 28th St, 244 3005)

Carlyle Hotel The fabulous Bobby Short continues singing with astonishing precision and energy. Across the hall in Bemelmans Bar, Barbara Carroll presides at the piano (Madison Ave at 76th St, 744 1600)

■ PARIS

DANCE/OPERA

Palais Garnier Ballet da l'Opéra de Paris has Rudolf Nureyev's 1992 staging of La Bayadère, daily except Sun and Mon till May 28. The production is revived at the Bastille at the end of June (4742 5371)

Opéra Bastille A new production of Tosca, conducted by Spiros Argiris and staged by Werner Schroeter, runs till June 17 with changing casts including Carol Vaness, Placido Domingo and Sergei Leiferkus. Lady Macbeth of Mtsensk is revived next Tues (4473 1300)

Opéra Comique Don Pasquale runs till June 4 with a cast headed by Gabriel Bacquier and Leontina Vaduva. This week's performances are tonight and Thurs (4286 8883)

CONCERTS

Théâtre des Champs-Elysées Tonight: François-René Duchable piano recital. Tomorrow: Claudio Scimone directs I Solisti Veneti in a Vivaldi programme, with flute soloist Jean-Pierre Rampal. Thurs: Dave Brubeck Quartet. Sun morning: Misha Dichter piano recital (4952 5050)

Eglise Saint-Eustache Tonight: Cyril Diederich conducts Orchestre Colonne in works by Wagner, Poulenc and Fauré, with vocal soloists (4233 7289). Thurs: John Poole conducts Groupe Vocal de France in choral works by Elgar, Holst, Howells, Britten and Jean Guillou (4027 0880)

Salle Pleyel Tomorrow: Murray Perahia piano recital. Wed, Thurs: Semyon Bychkov conducts Orchestre de Paris in works by Schubert/Berio and Mahler, with vocal soloists Marjana Lipovsek and Gary Lakes (4561 0630)

JAZZ/CABARET

Memphis blues singer Ann Peebles is in residence for tha next two weeks at Lionel Hampton Jazz Club. Music from 10.30 pm to 2 am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
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FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Market v state in education

MICHAEL PROWSE on AMERICA

American parents are voting with their children's feet. Despairing at tha quality of public (government-run) schools and either unable or unwilling to pay for private tuition, many now prefer to teach their children at home. Nearly 500,000 children – 1 per cent of the school-age population – are taught at the kitchen table compared with only about 15,000 in the early 1980s.

The "home-schooling" fad in the US is an extreme example of a global trend: parents in most industrial countries are demanding a greater say in how their children are educated. In the past only a minority of wealthy parents actively sought the best schools (often private) for their children. Most families were passive consumers of education, allowing local educational authorities or school districts to assign their children to a school, usually the nearest. On matters of curriculum, teaching methods, discipline and so forth, parents typically deferred to the superior wisdom of educational "experts."

This age of educational deference is now passing, as *Schools: a Matter of Choice*, a report by Mr Donald Hirsch of the Paris-based Organisation for Economic Development and Co-operation makes abundantly clear. He examines six countries – the US, England, Sweden, the Netherlands, Australia and New Zealand – and finds that, to different degrees, all are experimenting with policies to expand parental choice, enhance the range of educational options and devolve power to school principals.

Some countries – such as Sweden – have increased choice by offering substantial subsidies (85 per cent of the cost of education in the public system) to parents who select private schools. Others, such as England, have opted to expand choice within the public sector by allowing open enrolment and through financial rules allowing money to follow pupils. In the US, school districts have widened parents' options by supply-sida measures: the deliberate creation of "magnet" schools – schools that offer specialised education by concentrating on, say, science or the performing arts.

Teachers will find much to admire in Mr Hirsch's report, which exploits the OECD's unique ability to make cross-country comparisons. He illustrates the global pressure for greater choice with 16 "case studies" that describe reforms on the ground in cities as diverse as Haarlem in the Netherlands, Whangarei in New Zealand and Milwaukee in the US. And he seasons the factual analysis with a thoughtful commentary on the theory behind greater competition in education.

To my mind, however, the tone of the report is disturbingly collectivist. He argues that parental choice may not lead to greater educational pluralism because schools "may compete to deliver the same thing". He claims that research cannot demonstrate that choice raises educational quality because the effects of other relevant differences between schools cannot be separated out (on this criterion no economic research would reach a conclusion). And he gives credence to educationalists' self-serving claims that parental choice can inhibit their ability to set priorities. In typically wishy-washy OECD style, he concludes it is beyond the report's scope to decide "whether greater choice of school is a good or a bad thing".

Well, this reader can decide. Greater choice of school is indisputably a good thing. To bring home the absurdity of the traditional restrictions, imagine that the same policies were adopted for other educational media such as books.

Suppose, with the exception of a small "private" sector for the rich, all books were produced by teams of government employees and supplied free of charge to grateful families. By analogy with public schooling suppose further that each family was allocated only the books produced by bureaucrats in its local "book authority" or "book district". Under such a system books would surely be of uniformly low quality, although the bindings might be fancier in richer areas.

Now imagine that a bold educational reform is proposed: book choice. Instead of being forced to read the books produced by their local book authority, families can choose books from any book authority. Moreover, since reformers also stipulate that "money follows books", the revenue earned by each book authority now depends on the number of books it "sells".

Families will obviously benefit from this expansion of choice (which corresponds roughly to the enhanced choice of school now allowed in England.) But sceptics such as Mr Hirsch may well claim that it cannot be proved statistically that average book quality has risen. They will worry that middle-class families are taking more advantage of the increased choice than poor families. And they may complain that since all the book authorities are competing to provide the same types of books, the extension of choice is illusory.

In a sense the objections are valid. Since with the exception of the small private sector all books would still be produced by teams of government employees, the range of choice would be limited. Yet we all know the solution: liberalise the book market completely. Let anybody write a book. Let book sales be determined by public demand. If some poor families cannot afford books, then give them book vouchers or cash subsidies. Do not make the mistake of thinking that since everybody ought to read books, the government should seize control of 95 per cent of book production.

I do not claim there is an exact analogy between books and schools as educational vehicles, but it is close enough to demolish arguments against greater choice in education.

With Lloyd's due to unveil further losses tomorrow, **Richard Lapper** examines the market's prospects

Another plunge into the red

Lloyd's of London is going through what its iconoclastic deputy chairman, Mr Robert Hiscox, refers to as its annual "mid-year wobble".

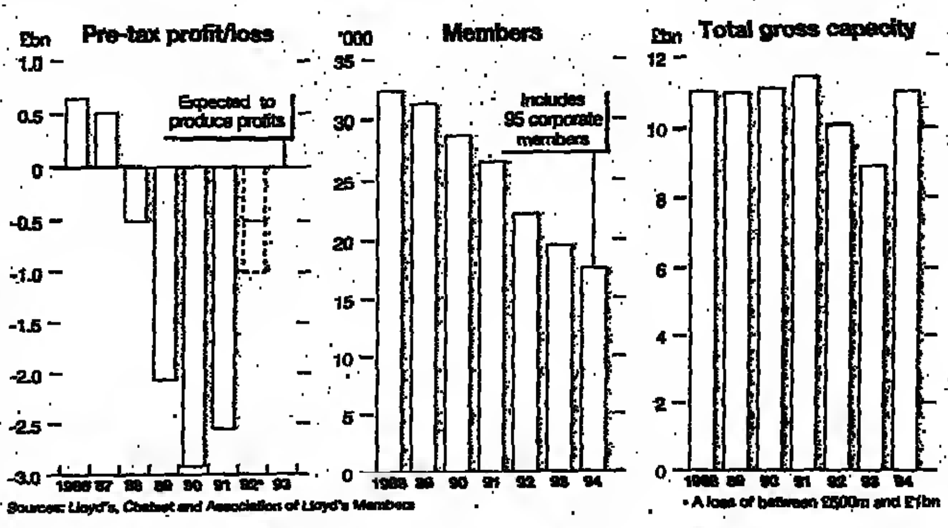
For the fourth spring in succession the insurance market's future has been brought into question by the prospect of another devastating loss for hard-pressed Names, the individuals whose personal assets have traditionally supported the market. The forecast £2.5bn loss for 1991, which Lloyd's will report tomorrow in line with its system of reporting three years in arrears, would bring the cumulative loss since 1988 to more than £8bn.

The 1991 loss is substantially greater than predicted by Lloyd's last year and is the latest in a number of blows to hit the market in the past six months which together make Mr Hiscox's "wobble" sound like an understatement:

- In February, Names seeking compensation for losses of some £3bn rejected an out-of-court settlement worth £900m which had been negotiated under Lloyd's auspices. Their decision set the scene for a succession of court cases. The first and biggest of tha current round is being fought by 3,095 Names belonging to Gooda Walker syndicates, one of the worst performing business at Lloyd's in the late 1980s.
- Two separate reports have suggested that Lloyd's exposure to multi-billion-dollar asbestos and pollution claims in the US will far exceed the insurance market's reserves. The latest report, publisbed last month by US lawyer Mr Randolph Fields, indicated the market faced a shortfall of at least £11bn, although the cost would be spread over many years. It also suggested that plans to form a reinsurance company into which Lloyd's aims to transfer most of these historic liabilities would be frustrated by difficulties in finding sufficient capital for its launch.
- Critics have recently claimed that the 1991 loss may impair Lloyd's ability to pass the "solvency" test set by the Department of Trade and Industry each August in which the assets of Names are matched against ontstanding liabilities.

If Names are found to have liabilities axceeding their assets, Lloyd's has to earmark money from its £1bn Central Fund, which meets claims when Names are unable to fulfil their obligations. But last month Lloyd's annual report showed that more than two-thirds of its fund was already set aside for such purposes, raising the spectre of the market having to call for even more money from Names to replenish the fund.

Lloyd's of London: a Name in pain



Sources: Lloyd's, Chatset and Association of Lloyd's Members

* A loss of between £500m and £1bn

The setbacks appear marked since they follow a period of optimism over the winter. Following management changes over the past two years, Lloyd's was able to persuade the City to provide £800m of limited-liability corporate capital – for the first time in its 300-year history. That success, however, has persuaded many of Lloyd's top managers that the latest gloom is being overdone. "It is so easy to attack us. So easy to wound the great elephant," says Mr Hiscox.

Lloyd's is confident its plans to form the reinsurance company will be implemented: some underwriters acknowledge in private that many US pollution claims will be settled at less than their full face value, so avoiding legal costs for both sides. Negotiations may reduce some pay-outs to as little as five cents in the dollar – particularly if policy holders decide Lloyd's difficulties mean that is the best they can realistically expect.

Mr Peter Middleton, Lloyd's chief executive, is also optimistic that negotiations might re-open between Names and agents over possibla out-of-court settlements later this year. Above all Lloyd's is confident that it can survive its more immediate pressures on solvency by stepping up efforts to collect debts from Names and by borrowing against profits expected in 1994.

Insurance rates increased sharply in 1993 and Lloyd's believes both that year and this year will be profitable. Last year Names were allowed to borrow against their projected 1993 profits to meet part of their liabilities. Last week Lloyd's announced these "exceptional measures" would also apply in 1994.

The 1991 loss is the latest in a number of blows to hit Lloyd's this year

Lloyd's is also moving to soften the impact of the 1991 losses by eliminating so-called "double counting". This happens when Names that have made losses in turn claim on their "stop loss" policies (which provide cover for losses over pre-set limits), "errors and omissions" policies (which give cover if agents are successfully sued for negligence) or "estate protection policies" (whicb cover the losses of deceased Names).

Even so the 1991 loss is expected to force many Names out of the market. Members' agents, who allocate Names to syndicates, forecast the capacity (the amount of business that can be underwritten) available from Names – as opposed to the new corporate members – will fall sharply in 1995, possibly to about £7.5bn compared to the current £9.3bn.

Though corporate investors could make up part of the shortfall, most observers believe that the total amount of capital will decline next year. "There just isn't tha institutional demand out there at present," notes one agency chief executive.

At the same time, reforms planned by Lloyd's could aggravate the market's difficulties over the next year or two. Changes to Lloyd's rulebook could mean many syndicates have to seek more capital simply to underwrite the same amount of business. Earlier this month the Lloyd's council indicated that during 1995 and 1996 it intended to introduce a system of "risk weighting" which would link the amount of capital required by a syndicate manager to the riskiness of the underlying business. For instance, syndicates underwriting motor business would need less capital, those underwriting catastrophe reinsurance more.

The consequence of the scarcity of capital is likely to be a more rapid restructuring of the market. The number of syndicates has already fallen from 401 in 1990 to 179 this year and further rationalisation seems inevitable. The main casualties are expected to be the smaller and less successful syndicates and agents.

Already there are indications that larger managing agents are using their greater influence to secure as much capital as possible for their own syndicates – at the expense of smaller operators.

The restructuring is not just about the number of syndicates and agents operating at Lloyds: it is also about the way the market works and how it raises capital. Many large agents, who have been among the quickest to introduce new technology and improve their management standards, are now seeking closer links with corporate investors.

Some agents are moving towards setting up "dedicated" investment funds which will channel capital into just one agent's businesses rather than, as now, a spread of different agents and syndicates. By doing so, they are creating a framework for embryonic "insurance companies" operating within Lloyd'a rules but with greater long-term stability than existing syndicates.

"Mr Middleton and Mr Rowland [Lloyd's chairman] have unleashed a process of change which is accelerating like a turbocharger," says one leading underwriter.

Mr George Stevens, managing director of Brockbank, one of the biggest agents at Lloyd's, predicts that the market will be dominated by between six and 10 corporate syndicates before the end of the century.

Such upheavals may ensure the long-term survival of Lloyd's and its businesses, notwithstanding the latest "wobble". But the market that emerges when 1993's expected profits are reported in two years, will be radically different from the one that slid into loss in 1988. Names, trading on the traditional basis of unlimited liability, are likely to play an increasingly marginal role.

LETTERS TO THE EDITOR

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Marketing power of electronic cash cards

From Mr Giles Keating and Mr Sean Shepley.

Sir, You report ("EU curbs urged on cash card issuers", May 11) that the European Monetary Institute recommends legislation to give banks a monopoly in the issuance of electronic cards used as a substitute for cash. At first sight this seems appropriate. These are pre-paid cards so the issuers, like banks, will hold deposits from the general public. This suggests they should be supervised in tha same way as banks. But it is essential that new entrants be encouraged, to create competition and speed up innovation.

However, much bigger issues are at stake. Electronic cash cards will, within a few years, offer issuers immense power over information about spending patterns of different types of consumer. This information will be highly valuable in marketing and in product development. Who will own it?

The cards may also in future allow currently unheard-of opportunities to boost profits by discriminating among different groups of consumers, for example by offering discounts for customer loyalty, or lower prices to people on low-incomes. Who will control access to the necessary data?

Even more intriguing, as electronic transactions become almost universal, the technical question of international compatibility of cash cards will become an issua of sovereignty. If the pound remains outside the single currency, will the British government allow residents, as well as visitors, to use cards loaded with Ecus in stores throughout the UK? Will French residents be able to use cards loaded with US dollars everywhere in Paris? If yes, smaller currencies, at least if they have any hint of instability, will rapidly disappear almost completely. This is currency competition, as envisaged by the UK's Treasury in its response to the Delors report, something that was impractical in the old days of notes and coins. Governments will be tempted to prevent this by keeping their retail systems incompatible with others, a type of electronic protectionism.

The EMI's apparently innocuous recommendation has far-reaching commercial and political implications. It should be be subject of the widest possible debate.

Giles Keating,
Sean Shepley,
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Unworthy view of Labour position on Europe

From Ms Joyce Quin MP.

Your negative editorial "Labour after John Smith" (May 13) is unworthy of a serious newspaper. Your question, "Who can say today where Labour stands on any important aspect of the development of the European Union", shows also an arrogant ignorance. At its conference last year Labour adopted a detailed statemant on Europe, *Prosperity through Co-operation*. Subsequently, Labour's Treasury team made a detailed submission to the Delors consultatioo entitled *Economic Renewal in Europe*. There have *also* been papers produced on European employment and environment policies and to many other areas. The European dimension is now fully built into the range of our domestic policies.

I find it deeply depressing that a serious political commentator can dismiss this evidence so lightly or, even worse, can apparently remain in total ignorance of it.

Joyce Quin,
Labour frontbench spokesperson on European Affairs,
House of Commons,
London SW1

Swedish stock futures already a significant market

From Mr David Courtney.

Sir, I read with some interest of the Sydney Futures Exchange's plans to launch individual stock futures on May 16 ("Sydney to trade share futurea", May 12), but was rather dismayed that the existing market for Swedish stock futures was not given the credit it deserves.

Stock futures have been listed on both OMLX, the London Securities and Derivatives Exchange and OM Stockholm for several years. At present, a total of 28 Swedish companies has stock futures available on them and it is our intention to launch further contracts in due course. As such, this can hardly ba dascribed as a "handful".

I would also like to point out that volumes are rising at an exponential rate. The year-on-year increase to the end of April was some 238 per cent with almost 90,000 contracts traded.

I would also like to point out that, with a total volume of 23.3m contracts, the total volume of Swedisb derivatives traded last year exceeded that of the Sydney Futures Exchange by 1.75m contracts, thus making it a significant market in outright and comparative terms.

David Courtney,
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Inflating its ego again

From Mr Bob Edwards.

Sir, Diane Summers reports "Saatchi raps 'sloppy' advertising industry" (May 11), in particular the blandness and misconception of most global advertising campaigns. This would be valued criticism were it not for the fact that Saatchi and Saatchi was itself the arch proponent of the global "one brand oua campaign" movement throughout the 1980s. If Maurice Saatchi really wants to speak in "simple universally recognised truths", he could start by acknowledging this error of judgment.

Another part of his speech suggests that advertisers seeking these truths may yet be hard pushed to discover them. Mr Saatchi bemoans the fact that advertising is no longer seen as "part of that virtuous circle, in which the gift that sdvertising bestows – a premium price – is asked to provide funds to re-invest in superior product quality, innovation, product development..."

This is tha advertising industry inflating its ego again. The truth *is* advertising should reflect company philosophy, not be a substitute for it. For example, financial services spent nearly £1bn on advertising over five years in the 1980s. These advertisers and their agencies conspired to substitute "sexy" advertising for basic improvements in service, clarity and value. They failed. Belatedly, financial institutions are looking to their product and their service first.

Advertising is simply a communication tool (often a blunt one at that) and one of a number available to advertisers. The sooner the industry recognises that the better.

Bob Edwards,
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Figures not so different

From Mr E N Lindop.

Sir, David Goodhart's article, "Pay deals analyses differ on growth" (May 9), makes much of the "differing analyses" of trends in pay settlements recently published by Incomes Data Services and Industrial Relations Services.

A closer look at the two sets of data would have revealed a crucial difference – namely, that they cover different time periods.

While the IRS figures cover the three months to March, the IDS analysis focuses particularly on settlements in April, one of the key months for pay reviews.

When data is available for the same time period from both organisations, we have little doubt that the results will show a similar picture.

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FINANCIAL TIMES

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Monday May 16 1994

Uncle Sam, salesman

A salesman who won two separate orders totalling $10bn from the same customer in three months would normally deserve congratulations and a hefty bonus. But when the salesman is the US government acting on behalf of private companies and the customer a foreign sovereign state, it becomes instead a subject of serious global concern. Such tactics jeopardise the stability of the multilateral trading system and threaten the economic and political interests of the US, as well as of other countries.

That, unfortunately, is not the view in Washington. Rather, the Clinton administration is hailing its role in clinching the sales of Boeing aircraft and AT&T telecommunications equipment to Saudi Arabia this year as the first fruits of an aggressive government-backed export drive. Indeed, this early success, which builds upon the use of such tactics in the sale of military hardware, is being seized upon as vindication for a broader policy of government support for industry. This includes sharply increased subsidies for commercial research and development.

Inevitably, other bidders for Saudi contracts have cried foul. The US response has not been convincing. If, as it insists, political arm-twisting did not secure the AT&T deal, why did Mr Ron Brown, the US Commerce secretary, need to intervene in the negotiations? Given that Saudi Arabia is a US client state which depends heavily on an American defence umbrella, Washington's protestations look thin.

Official meddling

It is illogical for the administration to fall back on the assertion that it is only doing what other countries have long done. The argument is inconsistent with the long-running US complaint that official meddling prevents free competition on Japanese markets. Exactly the same charge can be levelled at the way the recent Saudi contracts were awarded.

Washington is on firmer ground in pointing out that many European governments, notably France and Britain, have long peddled high-level political influence to secure orders for national exporters, while Japan has achieved the same goal in developing countries through tied-aid policies. Nonetheless, the fact that the US is in some respects a recent sinner does not mean it is a justified one. Though government salesmanship may bring short-term gains, it is bad for everyone in the longer term. Customers get a poor deal, because their choice is not based on the quality and price of what they buy. Exporters are damaged by being encouraged to curry favour with bureaucrats, rather than meet customers' needs.

Unhealthy collusion

Governments suffer, both because excessively enthusiastic championing of exports can breed unhealthy collusion with private companies, and because their own integrity and judgement can be compromised. Witness the British government's recent embarrassment over the Malaysian Pergau dam affair. Furthermore, the practice unfairly penalises companies from countries whose governments have limited resources and international clout.

In reality, aggressive export promotion is the obverse of trade protection. It similarly distorts markets, impairs efficiency and invites a spiral of beggar-my-neighbour escalation. Some European Union governments may, indeed, urge a competitive response to the US. That temptation needs to be resisted.

Instead, the EU should seek talks with the US and Japan aimed at reversing the proliferation of government-sponsored export drives. One aim should be to strengthen the controls on subsidised export credits negotiated in the Organisation for Economic Co-operation and Development and to provide for stiff sanctions against offenders, preferably by bringing the whole area under the new World Trade Organisation.

In addition, tougher international rules are needed to prohibit tied aid and limit covert political intervention in export contracts. That latter goal may prove difficult to achieve. But it can be facilitated by encouraging the privatisation of purchasing entities.

Clinton administration officials say they would be prepared to scale down, or even eliminate, their export promotion efforts if other governments did the same. The EU should put those professed good intentions to the test.

Competition and competitiveness

Government exhortations to British companies to raise the level of their performance in world markets are welcome, as are intelligent government actions to facilitate the private sector's efforts. No doubt Mr Michael Heseltine's white paper on competitiveness, delayed as a mark of respect to the late Mr John Smith, will be a virtuoso performance in this regard. However, it will not obscure an undesirable by-product of the campaign – namely, a relaxation in competition policy.

One symptom is the increasingly laisser faire approach to the investigation of anti-competitive practices by the Monopolies and Mergers Commission. The MMC has found no threat to the public interest in reports on the supply of motor cars, perfumes and ice-cream. In each case, there had been alleged abuses of power by dominant suppliers, with new entrants complaining of barriers to entry. Yet the MMC has appeared unwilling to challenge such anti-competitive practices. For example, the MMC rejected a complaint from Mars, a recent entrant to the ice-cream market, about exclusive freezer cabinets. The MMC was unconvinced, even though Walls has nearly two-thirds of the market.

According to a report in today's FT, decisions such as these have alarmed the Office of Fair Trading. Under Sir Bryan Carsberg, the former telecoms regulator, the OFT has taken a strongly consumerist approach to competition issues. Sir Bryan gives the impression of believing that anti-competitive practices should be removed unless it can be shown that they benefit the consumer. He wishes to attack vertical barriers to competition such as agreements that tie retailers to manufacturers.

Consumer interests

In contrast, the chairman of the MMC is Mr Graeme Odgers, a former businessman. He points out that there is no shortage of competition within the industries that have been investigated. His view is that it needs to be shown that anti-competitive practices damage the consumer before the MMC interferes in an industry. He says that companies that have achieved competitive advantage should be allowed to profit from their investment, innovation and enterprise. However, there is a fina lina between legitimate rewards for investment and seeking to exclude competitors – and practices such as exclusive freezer cabinets smack uncomfortably of the latter.

The actions of the Department of Trade and Industry reinforce the impression that competition matters less these days. Early in Sir Bryan's term of office, Mr Heseltine over-rode him on two references to the MMC. The first, a merger of two infra-red defence components businesses, was a relatively unimportant case. But the second, less than two weeks later, caused a bigger stir. Mr Heseltine decided not to refer the hostile bid by Airtours for Owners Abroad, although it would have created a situation in which two companies controlled two-thirds of package tour sales.

Further intervention

This year has seen a further intervention by Mr Heseltine over the Arran bus case. The OFT was investigating claims that a company with a fleet of two buses was attempting to drive e much larger competitor off the island of Arran by running services at a loss. Mr Heseltine instructed Sir Bryan to call off the enquiry as the size of the case did not justify the costs and burden. Whether this was true is debatable: with the market worth almost £300,000 a year, the investigation could have been cost-effective. In any case, most bus competition cases involve small local markets where established operators attempt to drive off new entrants, often by predatory pricing. Tha decision appeared to legitimise such practices.

Many businesses would welcome a relaxation in competition policy because it confers freedom to profit richly if not fairly in the UK market, enabling a company to take bigger risks overseas. But the idea that the UK can build strong international businesses by protecting them in the home market is a chimera. Companies that have grown flabby in the UK because they have not felt threatened by competitors breathing down their necks are unlikely to succeed in the more demanding world of global markets.

No exits on the road to market

Despite setbacks, Russia will not abandon its commitment to economic reform, writes **Victor Chernomyrdin**

In the past three months the west's view of Russian reform has undergone a significant evolution.

From the panicky statements about a "reactionary turn in the economy" to the forecasts of a burst of hyperinflation which prevailed in January, the world's media has begun to offer a more considered and objective view. And though at the beginning of the year some ultra-radicals, including some of our own in Russia, called on the west not to give a cent to the "red directors" who had taken control of the Russian government, the International Monetary Fund still took the symbolic decision to assign to Moscow the second tranche of a $3bn loan in exchange for commitments to market reform.

What happened in these first 10 –12 weeks of this year to justify the IMF's decision? There was no great turnover of ministers in the Russian government. The economic reform programme, adopted in August 1993, did not change. Most significantly, events themselves have refuted the unscrupulous allegation that our course would change, an allegation that proceeded simply from the political ambitions of those who made it.

The continuation of reform, financial stabilisation and structural change remain the core of Russia's economic policy. The economic evidence of the first three months of this year attest to that. Between February and April, the monthly rate of inflation fell to 10 per cent. We do not expect the picture to change in May. In the planned 1994 budget, the deficit is pegged at 9 per cent of gross domestic product. By observing these parameters, we will see inflation lowered to a monthly rate of 7-8 per cent by the end of the year.

To achieve this goal we must adopt the most resolute measures aimed at limiting the budget deficit and the emission of credits. In particular, we took a difficult decision to increase state revenues by changing a range of previously-fixed taxes, customs and excise duties. And we did that against the backdrop of a 25 per cent fall in production in the first quarter of this year compared to the corresponding period in 1993. At the same time we continued to carry out a tight monetary policy to which the central bank interest rate – significantly higher than the inflation rate in the past few months – bears witness.

It is vitally important that every member of the Russian government fully understands that a strong rouble is the indispensable condition for the revival of the Russian economy, and the Russian state as a whole. Naturally, as elsewhere in the world, ministers will lobby for more resources. However as every member of the Russian government knows, the important thing is not the amount of money they receive; rather it is that the money they get should have a real and lasting worth. It is counter-productive to have a currency which in one month alone loses about a quarter of its value. Such has been the fate of the rouble.

Our common task is thus clear: to ensure that Russian citizens should know that everything their government does is directed towards protecting the purchasing power of the rouble, so that with these roubles Russian citizens will be welcomed anywhere in the world.

The question naturally arises as to why we do not introduce an even tougher financial policy and limit even more tightly budgetary expenditure so as to bring down inflation more rapidly. We are told by critics that in other countries, in eastern Europe and the Baltics for instance, the authorities have managed to achieve financial stabilisation more quickly. And when we insist, in defence, that Russia is fundamentally different from these countries, our critics retort that all countries are different but that economic laws work in the same way everywhere.

Posing the question in this way reveals an inadequate understanding of the specifics of the Russian situation. In a small state the government can follow what happens in every large enterprise and, where needed, take urgent action: in Russia, however, the geography of the country significantly reduces such a possibility.

Victor Chernomyrdin: 'Russia has only one path to tread – that of reform, and it will not depart from it' Reuter

If a disaster strikes a small country and its economy grinds to a halt, the world community will come to its aid. Even Russia, in spite of its worsening economic crisis, continues to help its neighbours in trying to overcome their poverty. Indeed, Russia's donor status *vis-a-vis* the member countries of the Commonwealth of Independent States is parallel to that of the Group of Seven leading industrialised countries *vis-a-vis* Russia.

In other words, while economic laws work the same in all countries, the possibility of a government responding to them depends on the historic particularities of that country's economy.

To achieve our goal we must adopt resolute measures aimed at limiting the budget deficit and the emission of credits

For 70 years, the former Soviet totalitarian economy accumulated vast structural disparities. Tackling these problems demands prolonged effort and huge expense. It is clear that we cannot sanction mass closures of our exhausted plants since that would usher in an unsupportable rise in unemployment and sharply worsen both the political and the social situation in the country. Besides, it would be simply unreasonable, since many enterprises have significant reserves with which to improve their financial position. All industrial enterprises should get the chance – and that means time – to overcome their present difficulties.

Today, we can define three groups of basic industries in Russia:

● Enterprises that have successfully completed a period of adaptation to new market conditions and are already increasing turnover.

● Enterprises which have yet to undergo such a period of adaptation, but which display the necessary potential to do so and have some hope of succeeding. It is these enterprises which should get help from the government. This group is by far the most numerous.

● Enterprises which are beyond salvation and should be closed down in accordance with the law on bankruptcy. A list of such companies is already prepared. We do not, however, want to throw the baby out with the bathwater, and we cannot ignore the social consequences of each step on this road.

Imagine s provincial Russian town, built up around a big defence plant set up some years ago. The entire population of the town – maybe 100,000 people – works at the defence plant, including those engaged in the service sector. Assume that the plant has long since ceased to have any social use and no longer receives orders. Should we shut the enterprise without considering the consequences for its employees?

Consider another example: a northern mining town with a population of 50,000 which was established to work the coal reserves. The extraction of the coal is carried on with huge losses, the reserves are near to exhaustion, the equipment is obsolete and the cost of transporting the coal has gone up several times. There is no other settlement for 500km. There are hundreds of such cities and towns throughout Russia.

What should be done? We have no choice but to study carefully each case and patiently find a solution.

We do now feel there is soma understanding in the west for these problems. The talks last month between the Russian government and representatives of the Group of Seven during the annual meeting of the European Bank of Reconstruction and Development in St Petersburg showed that our colleagues in the US, the UK and other countries

The further integration of Russia into the world economy fully accords with our interests

recognise the importance of assistance in the social sphere. They intend to take an active part in the search for a way to separate out from the enterprises the social components traditionally provided by them, such as schools and kindergartens, so as not to threaten the basic living conditions of millions of people. The issue here is the possibility of channelling the international credit given to Russia towards the resolution of, above all, social problems. We can cope with the other issues ourselves.

We recently finished a round of talks in Moscow with the IMF; our approach met with understanding and support. Our relations with the IMF, to which we have furnished the most complete information both on the economic situation on what we intend to do to correct problems in that sphere, have become a symbol of our new openness in economic matters. We believe that the agreement with the IMF will lay a good foundation for our talks with the Paris and London clubs of sovereign and commercial creditors on the restructuring of Russia's foreign debt which we inherited from the Soviet Union. Successful co-operation with our creditors should also assist our efforts to achieve financial stabilisation.

The further integration of Russia into the world economy fully accords with our interests. We have left behind the former artificial exchange rate of the rouble, the state monopoly of internal trade and other former obstacles and limitations. We welcome foreign investment in the Russian economy and very much count on attracting further foreign investment – even though we understand that much will depend on the success of our economic reforms and the improvement of the legal and tax regimes for foreign investors.

At the same time we will continue to insist on the establishment of equal trading relations, on the ending of the discrimination against Russian exports. In that regard, we are determined to push through Russia's application to join the General Agreement on Trade and Tariffs. In the near future Russia will take its proper place in the system of world trade and it will benefit both Russia and its trading partners.

I know that much of this appears over-optimistic. Indeed the country has still to emerge from its deep economic crisis. At the same time, we see the first signs that our efforts are bearing fruit. Th privatisation of small businesses – shops, restaurants, workshops – is almost complete. As a result, the look of Russian cities is changing: in place of the dejected and sombre queues to which we were accustomed we see smart advertising hoardings and attractive, lively goods. We count on the privatisation of the larger companies to produce the same positive effect.

The first stage of privatisation, based on the use of vouchers issued free to every citizen, will soon be complete. From July 1 the remaining shares in state hands will be sold not for vouchers but for money. This new approach should replenish the state budget and also strengthen the financial position of tha enterprises themselves.

The strengthening of political stability is also an enormously important condition for successfully addressing the economic crisis. Last year, a new constitution was endorsed by the people in a popular referendum, marking the end of the long-drawn out and weary confrontation between the executive and legislative powers. The other important step in the development of the democratic process was the holding of parliamentary elections, also in December.

There are differing views on the results of the December parliamentary elections. Yet the first 100 days of the federal assembly's work shows that the new parliament is a great improvement on the old Supreme Soviet. We count on close co-operation between the government and the parliament as a necessary condition for the creation of a legal base for the new economic environment. Political stability has been further strengthened by the achievement of a civil accord of national reconciliation, a process led by President Boris Yeltsin and now endorsed by a broad range of Russian political parties, enterprises and associations.

In today's Russia we are seeing a new beginning: a time for those who know how, and have the ability, to do business. We are now living through the trough of the economic crisis. In the next few months we can make a break from the basic negative tendencies which have held back our development in the past two or three years.

I am certain that we will make the break. Russia has only one path to tread – that of reform, and it will not depart from it.

The author is prime minister of the Russian federation

OBSERVER

Snub or oversight?

■ China has put a further stamp on its impending takeover of the colony, by starting to issue its own bank notes with pretty pictures of Hong Kong. However, the new notes have a glaring defect.

The Bank of China's view of Hong Kong does not include a single property belonging to Jardine Matheson. It's a bit like publishing a picture of Blackpool without its tower, given that Jardine properties dominate the Hong Kong skyline.

Li Ka-shing, a friend of China, gets a plug through his HIT Terminal building, and Swire, which works with China's CITIC, has fared well. But despite the fact that the Bank of China HQ is next to a raft of Jardine buildings, the pictures ignore them.

Jardine is not one of China's favourites. It is shifting its domicile to Bermuda, before the Chinese arrive, and is a big fan of Governor Chris Patten. Do the new bank notes carry a first hint of revenge?

Sour note

■ The Bank of China is not alone in upsetting people with its bank notes. The Bank of England has also put a few noses out of joint during the 300 years it has been printing the country's money, judging by Derrick Byatt's new book – *Promises to Pay*.

Getting the Queen's picture right seems to have been particularly tricky. Professor Robert Austin was taken to task in the 1950s by Lord O'Brien, then chief cashier, for giving the Queen too much hair, too full a chest, a pinched chin and a left eye which did not seem to be looking in the correct direction. Another of Austin's designs was dismissed by Harold Wilson as "more like a ticket on a detergent (gift) voucher" than a bank note.

Worried by the criticism, the Bank invited Sir Anthony Blunt to join its informal design panel only to find some years on that Blunt was a Russian spy.

Up in court

■ Observer has to confess, without a trace of sycophancy of course, that it is becoming impressed by the global reach of Pearson, the FT's parent – and we are not talking about circling the world in the company of the BBC.

The nomination by Bill Clinton of Judge Stephen Breyer from Massachusetts to the Supreme Court extends the connection into the highest US bench, something

'I think I'm a mad cow'

that Rupert Murdoch certainly cannot boast

For Judge Breyer was married in 1969 to the former Joanna Hare, which makes him the brother-in-law of Viscount Blakenham, the current Pearson chairman, and nephew-in-law of the Hon Alan Hare, ex-chairman of the FT. In a story we could never use last summer, because Breyer lost out to Ruth Bader Ginsburg for the last Court vacancy, the family was quizzed about its in-law, but remained discreet. "He likes a spot of good claret," one of them said, in itself a pretty fair recommendation for the world's most famous judicial body.

One last puff

■ Remember Timothy Leary, the acid-popping Harvard professor of the "tune in, turn on, drop out" slogan? Well, the man whose promotion of the use of LSD in the 1960s made him an idol of US college campuses, has been breaking the law again.

He has been booked by the police at Austin airport, Texas, for smoking a cigarette in a no-smoking zone. The times, they are a'changing...

Green light

■ The new South Africa can be a dangerous place. But first-time visitor Warren Edwardes, boss of Delphi Risk Management, was quite unnerved by the response to his query about the best way from the centre of Johannesburg to suburban Rosebank.

"Turn right; straight through the first roadblock; right at the next roadblock; follow the highway – third exit – go straight through the next three roadblocks and you're there," said the helpful receptionist.

Edwardes was seriously thinking of aborting his mission until it was pointed out that the receptionist was talking about robots – South African for traffic lights.

Too hot to handle

■ Alarm bells are sounding at The Independent as the move to Mirror Group Newspapers' Canary Wharf Tower approaches. Tucked away in a job description questionnaire being circulated to Indy staff is a query about whether the person filling in the form is sitting at their own desk.

The question is not as innocent as it sounds. The Indy has around 370 staff, and the word is that there is only room for around 320 desks in the paper's new premises. Apparently, Mirror chief executive David Montgomery is s great believer in the "hot desk" theory where staff find their desks on a first come, first served basis.

It's said to be a good way of insuring that they turn up on time.

Paper tiger

■ If De La Rue, the banknote printer, makes a bid for Portals, one of its biggest suppliers, will it be an all paper offer?

FINANCIAL TIMES
Monday May 16 1994

Union will try to forge more even-handed strategy

EU seeks stronger links with Russia and Ukraine

By Lionel Barber in Brussels

The European Union will today start to try to forge a more even-handed strategy toward Russia and Ukraine, whose neighbourhood rivalry remains a source of instability in Europe.

Barring last-minute objections, EU foreign ministers in Brussels are likely to approve a new "partnership" agreement with Russia with the ambitious goal of a common free trade zone by the end of the century.

However, the EU is balancing its Russia policy with a deeper engagement with Ukraine, whose nuclear arsenal and collapsing economy make it a regional danger spot.

Ministers will today examine a European Commission papar which calls for several initiatives to strengthen political co-operation and overhaul the command economy in Ukraine.

The plan recommends Ecu100m ($113m) in emergency food aid and measures to improve nuclear safety, particularly the dismantling of the Chernobyl nnclear plant, which experts estimate could cost between Ecu300m and Ecu500m.

Chernobyl funding will be a key topic at the Group of Seven industrialised countries' summit in Naples in July.

Ministers may baulk at the

Ukrainians tend their gardens amid muddle ....Page 3

Commission's food aid plan because of conflicting evidence of food shortages and worries that emergency shipments could distort local agricultural markets. Some countries may also seek to delay approval of the documents in favour of waiting for a deeper analysis of the Ukrainian political economy.

A senior EU diplomat said Russia had modified its resistance to stronger relations between the Union and Ukraine. But Brussels had to tread carefully because of Russia's and its own insistence that economic aid should be linked to Ukraine meeting its pledge to ratify the Nnclear Non-Proliferation treaty.

The EU recently completed a "partnership" agreement with Ukraine that is slightly less generous than the EU-Russia pact now virtually complete.

The EU-Russia partnership pact is likely to be approved, provided ministers agree to settle the two controversies that have plagued negotiations over the past 18 months. These are the EU's treatment of Russian uranium exports and Moscow's treatment of European banks operating in Russia.

France, the EU's largest producer as well as consumer of enriched uranium for its nuclear power plants, has been worried about being undercut by Russian exports. A new safeguards regime operating until 1997 may ease French concerns.

Member states are less enthusiastic about tha banking offer, which restricts EU banks to no more than 12 per cent of the total capitalisation of the Russian banking system, with Moscow offering a non-committal review after five years.

China tries to cure local stock market ills

By Tony Walker in Beijing

China is postponing new stock listings in an attempt to ensure that companies seeking investment from the public are sound, and it wants to increase the role of investment funds to calm its volatile stock markets.

The official Xinhua news-agency reported that a considerable portion of the stocks scheduled to be issued this year to local investors, known as A-shares, will be postponed to 1995.

China had planned to issue about Yn5.5bn ($634m) of A-shares in 1994 to enliven its flagging securities markets, which have fallen sharply in the last year. The postponement does not affect B-shares, denominated in dollars for foreign investors.

Government authorities, who have also sought to impose stricter discipline on the country's futures exchanges, are seeking to rebuild public confidence in the stock market.

Disillusioned Chinese investors have been deserting the two stock exchanges, in Shanghai and Shanzhen, in droves for bonds and other securities. The shift has come as many newly listed companies have not met expectations.

The state council securities committee said the development of China's stock market should be conducted on a "step by step basis". It said that, in future, companies planning public offerings would be obliged to accept "six-month-long coaching by relevant departments".

Meanwhile, stock issuing quotas allocated to local governments for this year will be delayed until 1995, the committee said. The government also plans to strengthen its supervision to "prevent market manipulation and insider trading".

The authorities will encourage the development of investment funds and it is hoped these will become the "backbone of the future stock market".

Lack of a strong institutional presence in the markets, which have been dominated by individual investors, has contributed to their volatility.

THE LEX COLUMN

Hanson's longer horizons

Hanson's name is so linked with short-termism that its decision to lengthen its target payback period may seem odd. New investments are now to be authorised if they promise to pay for themselves within five or six years rather than the previous target of four years. Nevertheless, the move looks logical. With inflation low and money cheap, it makes sense to accept a lower rate of return. That, at any rate, is what the Bank of England and the Confederation of British Industry have been telling industry in recent months.

Whether the stock market views it that way remains to be seen. Sceptics may think Hanson's move signals that it is running short of profitable investment opportunities. For many years, Hanson was able to increase earnings by exploiting the anomalies of acquisition accounting. But that is no longer possible. Investors may fear that Hanson will now turn to poor investments to maintain growth.

Another worry could concern dividends, which were frozen last December. Hanson's cash position will become clearer tomorrow when it reports its half-year profits. But the danger is that a longer payback period could skew the group's cash flow profile as a result of a higher investment rate and a longer wait for projects to pay off. That, in turn, could undermine Hanson's ability to increase dividends. An extended payback looks justified given low inflation and interest rates. Even so, investors will probably need reassuring.

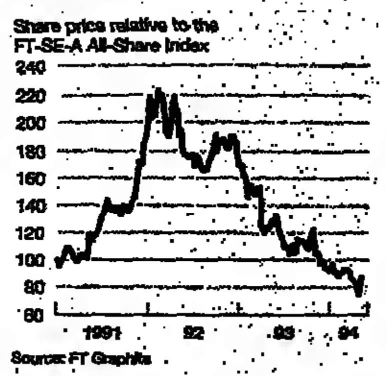
British Airways

British Airways appears to be the main winner of the battle for Orly. As part of yesterday's deal, Britain agreed to study whether access to Heathrow by a number of small French airlines could be improved. But this looks more like a face-saving device for the French than a serious concession by the British. The main point is that France has accepted that BA and its fellow UK airlines, Air UK and British Midland, will have access to Paris's strategically placed southern airport by the end of June at the latest.

Even so, the fuss kicked up by Paris before it gave way shows just how hard it will be to pry open the French aviation market. Surrender in this battle does not mean further liberalisation will come easily. The French government is so keen to protect the nearly bankrupt Air France that it can be expected to fight a rearguard action

Wellcome

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

to frustrate BA's further expansion.

The next flashpoints are likely to concern Air France's Fr20bn recapitalisation and plans by TAT, BA's French affiliate, to fly from Orly to Toulouse and Marseille. The Fr20bn recapitalisation is probably illegal under the Treaty of Rome as it constitutes state aid but the European Commission is expected to let it through – albeit with conditions – because of France'a political clout. Similarly, although the Commission has ordered France to open up flights from Orly to Toulouse and Marseille, Paris is appealing to the European Court of Justice. BA's shareholders have further bumpy rides to endure before they can enjoy the fruits of the airline's Gallic investments.

Wellcome

Wellcome's recent recovery has been nearly as startling as its decline. The shares have risen by 15 per cent in three weeks and on the evidence of Friday's 7p rise to 586p there is still some momentum. For investors who bought shares from Wellcome Trust at 800p two years ago, the rally will be of scant comfort. After a string of disappointments – culminating with the decision in March to abandon development of a new anti-viral compound – the company will struggle to regain a premium rating.

There is no single reason for Wellcome's sudden rehabilitation. Although Retrovir will never be the money-spinner once hoped, the company has cemented its position in Aids therapy by signing a marketing agreement with Glaxo. Early data suggests Famvir, SmithKline Beecham's anti-viral treatment, will not elbow aside Zovirax, Wellcome's biggest selling drug. Roche's acquisition of US drugs company Syntex at a large premium to the market share price also pointed to value hidden elsewhere in the sector.

On a multiple of around 10 times this year's forecast earnings at the depths, Wellcome certainly looked cheap on all but the bleakest diagnosis. But much still depends on the growth it can squeeze out of Zovirax in the face of competition and expiring patents. Disappointment on that score would cast doubt on Wellcome's ability to make the global grade as an independent company. The Trust – which still holds 40 per cent – might then wonder whether it would be better off with a smaller stake in a larger, less risky company.

Credit cards

Despite the stirrings of competition, credit cards are still a lucrative business for Barclays and National Westminster who together control around half the market. Both still charge annualised percentage rates around 22 per cent even though base rates are only 5.25 per cent. Newcomers have failed so far to make significant inroads. Save & Prosper, whose APR is only 13.9 per cent, has less than 1 per cent of the market, though it has been selective in targeting customers. But the GM Card has attracted 350,000 customers in the space of a few months. The big issuers would be rash to assume their profits are secure.

High margins and low barriers to entry mean credit card companies must be vulnerable to competitive attack. Part of the trouble has been inertia on the part of consumers, who tend simply to look to their existing bank to provide a card. Gradually that is starting to change as brands proliferate. GM's role is important in this regard as is that of niche operators like Bank of Scotland who promote affinity cards. It is behind the card issued by The Sunday Times, for example.

It may take only a spot of aggressive marketing for the stranglehold of the big two to be broken and pricing to crumble. It would make sense for Mr Peter Wood of Direct Line, the Royal Bank of Scotland's insurance subsidiary, to take a serious look. Direct Line has the necessary expertise in marketing, cheap processing and risk analysis. It is already spreading its wings into household insurance, consumer loans and mortgages. If he went into credit cards too, Mr Wood could easily do to that industry what he has done to motor insurance.

Russia 'to hold course on reform'

Continued from Page 1

successfully; those with the potential to do so but which need state help; and those which are "hopeless enterprises which should be closed down in accordance with a law on bankruptcy".

The third group, however, will only be closed when a social safety net is in place to deal with the employees thrown out of work. It is an issue on which, he says, the government is now working in association with western financial institutions.

"The issue here," he says, "is the possibility of channelling the international financial credits towards the resolution of, above all, social problems."

Mr Chernomyrdin, seen in the west for some time as, at best, a reluctant reformer, displays himself in his article as one who revels in the changes ushered in by privatisation and by the transformation of cities and their "dejected, sombre quenes" into places with "smart advertising hoardings and attractive, lively goods".

He takes grim satisfaction in castigating "ultra radicals" who warned western institutions not to advance further funds. The International Monetary Fund has gambled on his economic stewardship by advancing the second half of the $3bn systemic transformation facility.

Mr Chernomyrdin says Russia's relations with the IMF have become "a symbol of our new openness in economic matters".

Irish PM raises hopes for end to peace deadlock

By Philip Stephens, Political Editor, in London

Mr Albert Reynolds, the Irish prime minister, raised hopes yesterday that clarification of last December's Anglo-Irish declaration for Sinn Féin, the political wing of the Provisional IRA, might at last break the deadlock in the search for peace in Northern Ireland.

But Mr Reynolds' comment that written questions about the declaration from Sinn Féin were "answerable" coincided with the murder by the IRA of another British soldier in a rocket attack on an army outpost in Armagh.

Speaking in the US where he held unscheduled talks at the weekend with Mr Bill Clinton, the US president, Mr Reynolds, also indicated that Dublin and London would not wait indefinitely for a positive response from the Republican movement.

Mr Reynolds told Ireland's RTE radio: "The questions by and large are answerable, and I hope that the British government will see them in that light, and will give the most positive response they can." He added: "I think the vast majority of people in Ireland – and Britain – want to see a breakthrough, and move this latest roadblock out of the way."

But in a speech in Chicago where he received an honorary degree from the University of Notre Dame, Mr Reynolds displayed his frustration at the IRA's refusal to end its campaign.

Stressing the two governments' commitment to secure a broad-ranging political accord to replace the Anglo-Irish agreement of 1985, Mr Reynolds said: "The leaders of the Republican movement know that we still hope they will opt to play their part... They must also know, as Edmund Burke once put it, that there is a limit at which forbearance ceases to be a virtue."

Mr Michael Ancram, Northern Ireland minister, signalled that the two governments were drafting plans for a comprehensive political settlement.

British ministers said Sinn Féin's questions, passed to the London government by Dublin last week, would be published in the next few days together with the government's responses.

But Sir Patrick Mayhew, Northern Ireland secretary, was determined Britain would not be drawn into negotiations on the declaration until the IRA ended its campaign of violence.

Mr Gerry Adams, Sinn Féin president, gave a clear hint at the weekend of the areas in which the IRA was seeking clarification.

These include the timescale in which Britain expected to see agreement between all the people of Ireland, the constitutional options it foresaw as realistic alternatives to the status quo and the basis for the "Unionist veto" on change in the north.

S Africa

Continued from Page 1

business and other organisations before imposing new measures.

The cabinet will this week begin shaping its legislative agenda, and Mr Mandela is due to address parliament tomorrow to lay out the government's plans for its first months in office.

The budget to be presented by Mr Derek Keys, finance minister, will have to reconcile many conflicting regional spending needs. The ANC has costed its reconstruction and development programme nationally at R39bn ($10.7bn) over five years.

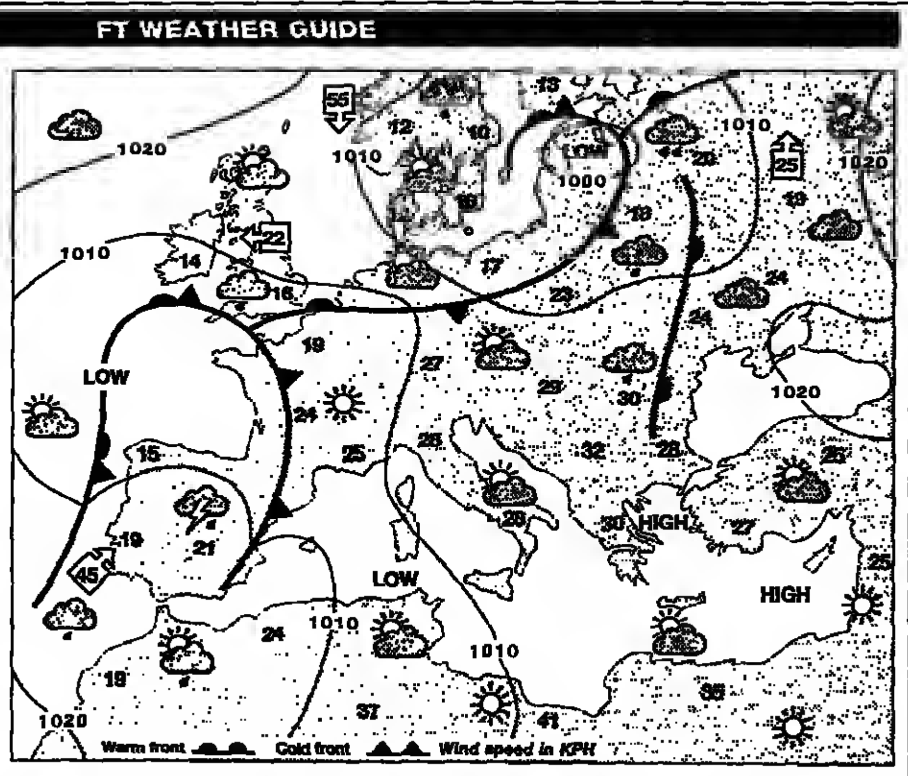
FT WEATHER GUIDE

Europe today

Western Europe will become significantly cooler this week. Unlike yesterday, the Benelux and Scotland will be dry with sunny periods. Rain will cross France ahead of e surge of cool Atlantic air. The rain will spread to southern England during the afternoon and evening, but it will be preceded by e warm easterly breeze. Central Europe will be warm and mainly sunny with afternoon temperatures between 23C and 27C. Spain, however, will have showers and thunder storms followed by much cooler temperatures. A low pressure area over the Baltic states will bring patchy rain as far south as the northern Balkans. Scandinavia will be mainly dry but cool, while the eastern Mediterranean will have a prolonged warm period.

Five-day forecast

Advancing cold air will push the very warm air and its high temperatures further east, bringing a lot of rain to western Europe, where it will be cool in the middle of the week. Later, heavy rainfall is expected east of the Alps. Meanwhile, Scandinavia will become unsettled, while the eastern Mediterranean will, in general, stay dry, warm and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	thund	31
Algiers	sun	24
Amsterdam	fair	20
Athens	fair	26
Atlanta	fair	26
B. Aires	fair	20
B.ham	rain	15
Bangkok	thund	35
Barcelona	cloudy	21
Beijing	sun	22
Belfast	cloudy	13
Belgrade	fair	32
Berlin	cloudy	24
Bermuda	fair	24
Bogota	shower	21
Bombay	sun	36
Brussels	fair	23
Budapest	fair	29
C.hagen	fair	18
Cairo	fair	34
Cape Town	fair	18
Caracas	cloudy	31
Cardiff	rain	16
Casablanca	shower	21
Chicago	sun	20
Cologne	fair	26
D' Salaam	shower	29
Dakar	fair	25
Dallas	sun	31
Delhi	sun	40
Dubai	sun	41
Dublin	cloudy	13
Dubrovnik	fair	28
Edinburgh	fair	12
Faro	shower	19
Frankfurt	fair	27
Geneva	fair	25
Gibraltar	shower	22
Glasgow	cloudy	15
Hamburg	fair	15
Helsinki	rain	17
Hong Kong	cloudy	31
Honolulu	fair	31
Istanbul	fair	25
Jersey	rain	15
Karachi	sun	37
Kuwait	fair	37
L. Angeles	fair	21
Las Palmas	fair	22
Lima	fair	23
Lisbon	shower	18
London	cloudy	17
Lux.bourg	fair	23
Lyon	fair	26
Madeira	cloudy	22
Madrid	rain	19
Majorca	fair	25
Malta	sun	29
Manchester	cloudy	16
Manila	fair	35
Melbourne	fair	17
Mexico City	thund	24
Miami	fair	31
Milan	fair	29
Montreal	rain	14
Moscow	rain	20
Munich	fair	26
Nairobi	shower	23
Naples	sun	29
Nassau	fair	31
New York	shower	24
Nice	fair	22
Nicosia	fair	28
Oslo	shower	13
Paris	rain	22
Perth	cloudy	22
Prague	fair	24
Rangoon	cloudy	34
Reykjavik	fair	10
Rio	cloudy	26
Rome	sun	26
S. Frsco	fair	17
Seoul	fair	16
Singapore	thund	31
Stockholm	shower	10
Strasbourg	fair	25
Sydney	fair	22
Tangier	shower	16
Tel Aviv	fair	30
Tokyo	rain	23
Toronto	fair	14
Vancouver	rain	14
Venice	fair	25
Vienna	fair	28
Warsaw	cloudy	23
Washington	fair	24
Wellington	windy	12
Winnipeg	fair	19
Zurich	fair	25

FINANCIAL TIMES
COMPANIES & MARKETS

Monday May 16 1994

Profits revealed at JC Bamford

By Andrew Baxter in London

JC Bamford, one of the UK's largest privately owned manufacturing companies, more than trebled pre-tax profits last year and is considering building a new factory at Cheadle, Staffordshire, to cope with rising demand.

The company, Britain's biggest producer of construction equipment, will tell its 2,700 employees this week that pre-tax profits surged from £8.3m ($12.11m) in 1992 to £26.6m last year, as sales rose from £359.8m to £398.4m.

JCB, founded by Mr Joe Bamford in 1945, has traditionally said little about its overall financial performance. But his son Sir Anthony Bamford, chairman, has revealed for the first time details of the company's recent profits record.

The figures show that JCB's pre-tax profits dipped to a low point of £8.3m in 1992. But it is one of the few construction equipment producers in the world to have come through the recent recession without making an annual loss.

Sir Anthony said all the company's divisions were profitable last year, except its wheeled-loader business, which had just launched long-awaited new products, and its three-year-old excavator joint venture with Japan's Sumitomo Construction Machinery.

The joint venture, JCB-SCM, shares a factory in Uttoxeter with the JCB Special Products company, which makes small machines. Sir Anthony said the factory was "bursting at the seams," partly because the strong yen had increased the need for local content in the venture's Japanese-inspired products.

JCB's intention was to move Special Products to the 91-acre site of a former opencast coal mine at Cheadle, which the company bought two years ago. The move, said Sir Anthony, would be "positive" for employment, but JCB has yet to make a final decision.

The company had added 400 jobs this year, and produced 4,000 machines in the first quarter, up 68 per cent from a year earlier. Sir Anthony said profits this year should rise further to £30m-£40m.

Analysis, Page 16

Hanson increases investment pay-back time

By Roland Rudd in London

Hanson, the Anglo-US conglomerate, has lengthened its pay-back period for new investments by up to two years, in a move to take advantage of low interest rates and inflation.

Mr Derek Bonham, Hanson's chief executive, confirmed that the company had lowered its pay-back criteria for capital investments. They will be authorised if they pay for themselves within five or six years instead of the previous target of three to four.

The move comes as other companies are considering lowering investment thresholds, and targets for return on capital, in response to falls in interest rates. But other big industrial groups have not yet lowered their pay-back levels.

Hanson's change of strategy is partly based on the company's outlook for interest rates and inflation, which Mr Bonham expects to remain under control. But Hanson is also keen to allay fears of short-termism often levelled at conglomerates.

In a report on UK competitiveness, the Commons Trade and Industry Select Committee warned of an alarmingly low level of labour productivity and "remaining deep-rooted problems" in investment.

Hanson believes the falling cost of capital will enable it to take the longer-term view on capital investment that has been urged by the Bank of England and the Confederation of British Industry.

While analysts welcomed Hanson's change of policy some voiced fears that the company may be making an admission that short pay-backs are no longer feasible.

BTR, the industrial conglomerate, has generally had a pay-back period of less than four years, although it told analysts this was not feasible during a recession.

The General Electric Company, which told the trade and industry committee that institutions were preoccupied with short-term economic performance, said its real target rate remained unchanged at 20 per cent.

Mr Alan Spall, finance director at Imperial Chemical Industries, believed inflation to be only one element in the equation. "The fact that inflation has come down doesn't at all mean that our hurdle rates have come down as well," he said recently.

Hanson is expected to confirm tomorrow, when it publishes its results, that the US still offers the best acquisition opportunities, although it would like to make a big takeover in the UK.

Lex, Page 14

Raymond Snoddy on why PolyGram may be laughing all the way to the bank

Four ambitions and a European film studio

For a few hours on Wednesday evening London's Leicester Square could have passed for Los Angeles or New York on a big movie night. There were the slow procession of stretched limousines, the hundreds of fans behind barriers, and the stars bathed momentarily in flashlights for the UK premiere of *Four Weddings and a Funeral*.

An audience which has been longing for the revival of the British film industry was there to salute the success of a movie minnow, a $5m romantic comedy shot in 36 days in Britain with the help of Channel Four finance. It has become the first British film for six years to take the number one spot at the US box office.

With equally good results coming in from France and Australia, the film – produced by Working Title, a subsidiary of PolyGram Filmed Entertainment – is beginning to look like a worldwide hit.

Yet as Michael Kuhn, the London lawyer president of PolyGram Filmed Entertainment, prepared for the premiere he was not donning the Union Jack or planning to claim another rebirth of the British film industry.

That sort of thinking Mr Kuhn denounces as "total crap". For good measure he says those who seek subsidies for British films "drive me nuts". "*Four Weddings* is a major movie success and what's 'British' got to do with it?" says 43-year-old Mr Kuhn, whose business is part of the PolyGram group, controlled by Philips of the Netherlands.

"This has been funded by the profits of 32 record companies around the world. That's what paid for this movie and its marketing. It's nothing to do with British. It's the entertainment business and it's ludicrous to keep talking about the British industry in this way," he adds.

Mr Kuhn has set himself the uniquely difficult task of building a European-based "studio" – on a Hollywood scale but without walls. The studio simply exists as a collection of independent production companies either owned or controlled by PolyGram. Over the past three years with hardly any fuss PolyGram has got on with making films – 29 so far with eight more in various stages of production.

No less than $8m out of a total marketing budget of $15m for the film – PolyGram's first unambiguous success – was spent in Los Angeles and New York on an intensive advertising campaign for the launch at five cinemas. Average revenues were $27,000 per screen on the first weekend – the sort of figures that could be used to persuade exhibitors to show the quirky sort of film that rarely makes it to mid-West cinemas.

But make it it did, and by the time of the London premiere *Four Weddings* had taken $31m at the box office. Mr Kuhn believes $50m gross could be earned from North America and a similar amount from the rest of the world.

That is only a small proportion of the film's financial potential. The typical film earns about a fifth of its revenues at the cinema box office, video 50 per cent, television 20 per cent and other areas of exploitation 10 per cent.

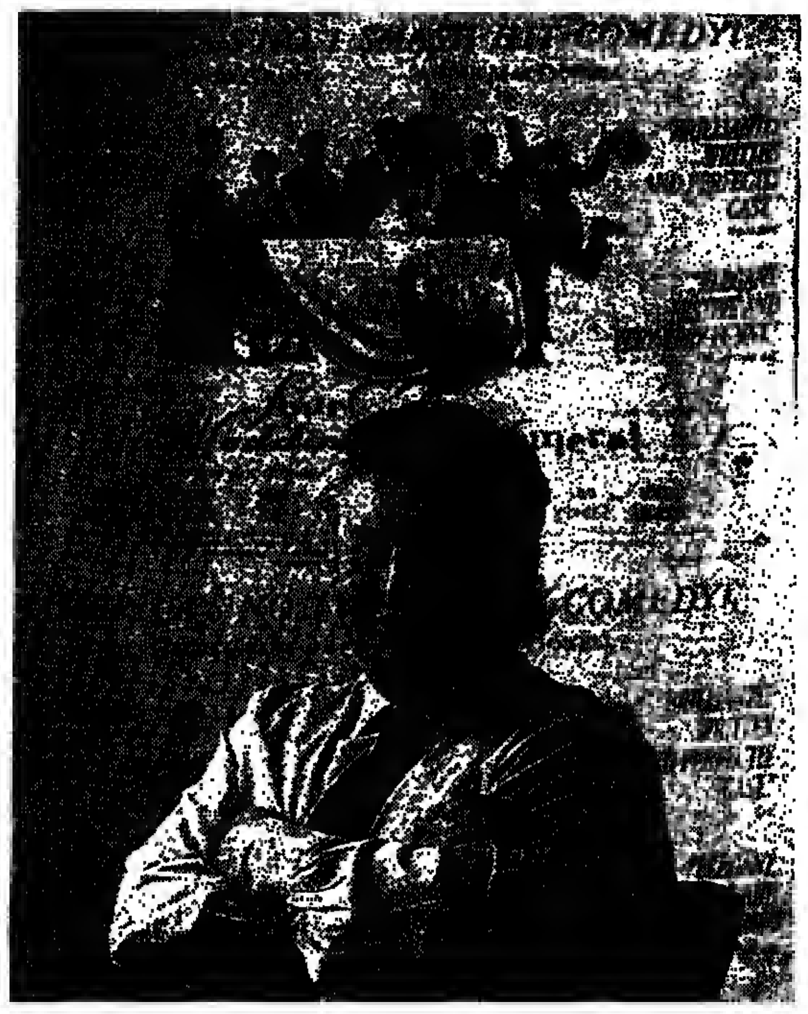
"We need just one more film not dissimilar to *Four Weddings* and then on a project basis – forget the overheads – these two would have recouped the losses on all the movies we have made to date," he says.

Others have done reasonably well – *Backbeat*, the PolyGram film about the man who walked away from the Beatles will certainly get its money back. And with others the risk is minimised. The actual cost of the film is covered by selling rights in advance and usually only the marketing costs are at risk.

But film history suggests that when Europeans try to challenge Hollywood the moment of success is the moment of maximum danger. *Revolution* was the expensive flop that did for Goldcrest in the wake of its association with successes such as *Chariots of Fire*. *Raise the Titanic* scuppered Lord Lew Grade's film ambitions. "It would have been cheaper to lower the Atlantic," Grade cracked at the time.

Mr Kuhn says he has taken a step-by-step approach in putting in place the building blocks of a studio, without property but combining the essential components of production and distribution. "By 1996 or 1997 if God is in his heaven and smiling on us we will be

continued on Page 18



Colin Beere
Michael Kuhn: 'By 1996 or 1997 we will be the only European-based studio'

Atlantic Richfield loses on derivatives

By Martin Dickson in New York

Atlantic Richfield, the US energy company, has confirmed press reports that investments in derivative securities led to steep losses last month in an employee investment fund it manages.

Arco is the latest of several large US companies, including consumer products group Procter & Gamble, to acknowledge suffering significant losses in derivatives due to volatility of markets. Losses have reinforced pressures in Congress for regulation of derivatives markets, which critics argue are poorly policed, badly understood and could pose a systemic risk to the financial system.

Mr Al Greenstein, an Arco spokesman, told Reuters the group's Money Market Plus Fund lost $22m or 5.3 per cent of its principal in April and all the losses were associated with derivative securities with principal risks.

He said the company had since liquidated all derivative securities in question, and changed strategy to avoid such investments. Mr Greenstein added Arco had informed investors in the fund that it wants to "make good" on the losses. He said it was consulting the Internal Revenue Service to work out "highly complex" tax issues involved with a reimbursement. It was not Arco's policy to reimburse employees for fund losses, but it wanted to do so for investors of the Money Market Plus Fund since they "had the expectation that their money was not at risk".

Markets this week

Starting on page 20

MARTIN DICKSON:
GLOBAL INVESTOR

Global markets will take their lead this week from the US, where the Federal Reserve seems certain to put up short-term interest rates. Page 20

PETER NORMAN:
ECONOMICS NOTEBOOK

European Union officials are giving thought to fiscal deficits in anticipation of economic and monetary union. Not only are the deficits a significant economic problem: they could create strains between anti-deficit hardliners and others. Page 20

Bonds:
German government bond yields have failed to respond substantially to last week's generous German interest rate cuts. Page 22

Equities:
Stock market analysts sound increasingly frustrated as they watch the Footsie 100 bounce on the 3,100 fence, unable to disentangle itself from the bond markets but unwilling to give any further ground. Page 23

Emerging markets:
Foreign investors are re-evaluating the creditworthiness of the private sector after a poor first-quarter performance by large Mexican companies. Page 21

Currencies:
An expected tightening of policy from the US Federal Reserve this week should help the dollar. Page 21

STATISTICS

This week: Company news

SONY/MATSUSHITA/HONDA

Japanese season still clouded by domestic issues

Earnings announcements by Japanese companies gather full steam this week, with brokers, trading houses, construction companies and particularly leading consumer electronics companies reporting their annual results.

Although many brokers, due to unveil results on Wednesday, reduced their profit forecasts to March, most are likely show recovery. They have seen a rise in income linked to the south-east Asian markets and to profits from bond trading, but the gains have not been large enough to cover lower-than-expected stock market volumes.

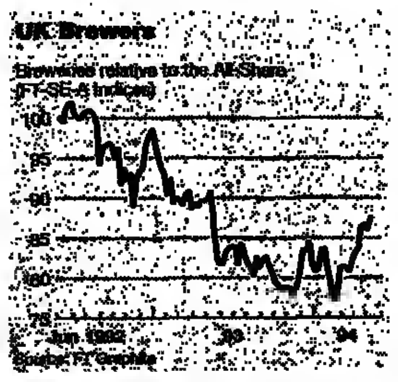
In consumer electronics, Sony will release figures on Thursday. A 30 per cent fall is expected in parent company pre-tax profits, due to depressed domestic demand, while pre-tax earnings are forecast to rise 8 per cent thanks to recovery in the US.

Matsushita Electric Industrial, due on Friday, expects a 4 per cent fall in parent company pre-tax earnings and a 7 per cent decline at the pre-tax level. Most consumer electronics companies have made substantial efforts to cut costs, but the beneficial effects have been offset by currency losses following the yen's appreciation.

With orders falling for nearly two years, construction companies, reporting on Thursday, are expected to show weak figures. Nomura Research Institute estimates that the sector's pre-tax profits fell by about 17 per cent in the year to March.

NRI forecasts a 31 per cent fall in pre-tax profits for the trading houses, hit by a decline in imports caused by the economic slump. Many companies are still suffering from securities investment losses made during the late 1980s.

Honda, the carmaker, has pencilled in a 58 per cent plunge in pre-tax profits because of the decline in domestic demand.



WHITBREAD/ALLIED-LYONS/BASS

Beer falls flat as food and leisure thrive

The UK brewers' results season gets into full swing this week, with full-year figures from Whitbread today and Allied-Lyons tomorrow, and interims from Bass on Wednesday.

So far, the season has produced only one real upset: Grand Metropolitan's statement that de-stocking in the US wines and spirits market was likely to cost it £40m ($58.40) in the full year. The big question is how far Allied, also a big player in the US market, will confirm GrandMet's experience.

For the UK, a common theme is likely to be that brewing and old-fashioned basic pubs are still doing badly, while pubs relying more on food and leisure are thriving. The worst figures from the trio are therefore likely to come from Bass, the UK's biggest brewer and also a massive pub operator. Against £229m last year, pre-tax profits this time could be flat.

Whitbread is expected to do better, with pre-tax of perhaps £232m against £220m before exceptionals last time. It is particularly strong on more up-market restaurant-type outlets.

Allied's figures will be the first full-year to show the effects of its brewing joint venture with Carlsberg.

The actual pre-tax figure is not a matter of debate, since it was forecast by Allied at £680m at the time of its deal with Domecq in March. This compares with £542m – again before exceptionals – the year before.

OTHER COMPANIES

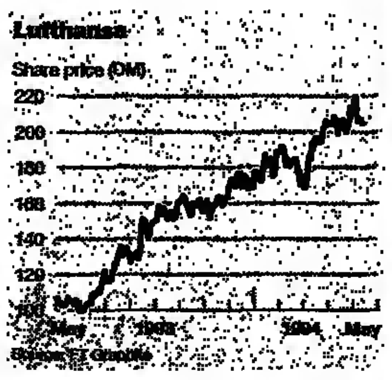
Lufthansa optimistic as rights issue nears

Lufthansa, the airline still majority owned by the German state, will today report full details of its 1993 figures, expected to show a substantial loss, albeit reduced from 1992 levels. Mr Jürgen Weber, chairman of the airline's management board and architect of an ambitious rationalisation plan over the past two years, is likely to repeat his forecast that the airline will be back in the black at the operating level in 1994. There may be more clues about the timing of the rights issue which will herald Lufthansa's privatisation later this year.

■ **Hanson:** Shareholders will be interested to find out how much the US Peabody coal dispute has cost the UK based industrial conglomerate, which announces interim results tomorrow. Estimates hover around the £80m ($117m) mark. The conglomerate's profits figure – stripping out strike costs – should be between £580m and £675m pre-tax, up from £507m. But it is thought the quarterly dividend will be held at 2.85p.

■ **Astra:** The fast-growing Swedish pharmaceuticals company will maintain its impressive profits momentum when it announces its first-quarter figures tomorrow. Analysts expect profits of around SKr2bn ($260m), against SKr1.74bn a year ago, with volume growth helping to offset a reduced currency impact.

■ **National Australia/Westpac:** Australia's commercial banks are expected to show a continued improvement in their financial health when the sector's interim reporting season kicks off on Thursday. Estimates for National Australia Bank, reporting Thursday, range between net profits of A$750m ($536m) to something over A$800m. A year ago, it made A$507.3m in the first half, including a A$32.9m abnormal surplus. Westpac is the wilder card, with anything from A$297m-A$344m forecast.



■ **Krupp-Hoesch:** Germany's second biggest steel maker will on Wednesday unveil full results for its first year following the historic fusion of the two companies. The group recently said it lost DM593m ($346.7m) in 1993 but hopes to break even this year.

■ **Kmart:** Today the market will get further evidence of the US discount store group's difficulties when it produces its results for the first quarter to April. The company warned last month that the figures would be even worse than last year's dismal first quarter, so there are unlikely to be any surprises. In the comparable period, it made net profits of $50m before extraordinary items, and analysts expect the figure to be halved.

Companies in this issue

Ward issues $85m writ against Guinness

By Christopher Price

Guinness said yesterday it would vigorously defend an $85m (£58m) writ issued by Mr Thomas Ward, a US attorney, and s Guinness director at the time of the takeover of Distillers in 1986.

Mr Ward, who sided Mr Ernest Saunders, the then Guinness chief executive, during the successful £2.7bn bid battle, is suing Guinness and four executives connected with the takeover for damages on a variety of charges. These include loss of earnings for Mr Ward's law practice, libel and slander.

Enjoined with Guinness is Mr Shaun Dowling, a former director. The writ is also thought to cite Sir Thomas Risk, the former governor of the Bank of Scotland, and Lord MacFarlane of Bearsden, who succeeded Mr Saunders as chairman of Guinness and is currently non-executive chairman of United Distillers. The fourth is also believed to be a former Guinness director.

The suit, filed in a Los Angeles court, follows Mr Ward's acquittal last year at the Old Bailey on charges of stealing £5.2m from Guinness. The drinks group said it was an unauthorised payment by Mr Saunders, but Mr Ward maintained it was a legitimate 'success fee' for his services in winning the Distillers bid.

Although Mr Ward repaid £1.3m of the fee prior to his trial, Guinness is currently pursuing Mr Ward for the return of the remainder plus interest, totalling £9m.

Mr Ward's action does not include punitive or exemplary damages, which would be decided by jury if the case against Guinness was proven. Guinness said that a separate action, being brought against Guinness by Mr Ward's legal partners, wonld also be strongly defended.

The company said: "We have instructed our lawyers in California to take steps to have these actions dismissed." Tha company has been granted a 30-day extention before it responds to the claim. It is thought that Guinness will act in conjunction with the four co-named executives.

Mr Ward's action is the latest legal fall-out from the takeover of Distillers in which Guinness fought a prolonged battle with Argyll Group.

Floating on the crest of a wave

By Peggy Hollinger

Companies have tapped the stock market for a record £5.2bn in the first four months of 1994, more than was raised in the whole of last year.

Major issues so far this year include the £464m flotation of Beazer Homes and House of Fraser's £413m market debut.

A report by accountants KPMG Peat Marwick shows companies seeking full listings raised £5.17bn in 1993 and just £2.3bn in 1992.

Mr Neil Austin, KPMG's head of new issues, said the number of flotations had begun to pick up in the last quarter of 1993.

"Economic recovery and solid levels of business confidence have allowed more companies to come through," he said.

A total of 84 companies were floated in the first four months, against 169 for the whole of last year and 79 in the last three months of 1993.

Mr Austin said that, while there were a substantial number of companies waiting to float, he did not expect the value of funds raised to equal tha first four months.

"I think we have seen the peak," he said.

The largest issue currently being expected by the market is the flotation of the venture capital group, 3i.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Holderbank (Switzerland)	Cedest (France)	Cement	£304m	Doubling French presence
BSN (France)	San Miguel (Spain)	Brewing	£223m	Plans to buy eventual 100%
Parker & Parsley (US)	Bridge Oil (Australia)	Oil & gas	£141m	Board rejects hostile bid
Nestlé (Switzerland)	Dreyer's Grand Ice Cream (US)	Food	£71m	Initial 22% stake
NatWest Bank (UK)/ Wheelock (HK)	Wheelock NatWest (JV)	Stockbroking	£67m	NatWest re-enters HK broking
General Motors (US)/ Hindustan Motors (India)	JV	Auto manufacture	£67m	India attracting foreign funds
RJR Nabisco (US)	RJR Alimentacion (Spain)	Food	£42m	Buying out Tabacalera
Jarvis Porter (UK)	Units of Nederlandse Grafische	Print & packaging	£17.4m	Strategic triple purchase
Smith & Nephew (UK)/ Advanced TissueSciences (US)	JV	Biotechnology	£13m	Living tissue venture
Euromoney Publications (UK)	Adhesion et Associés (France)	Business	£2.9m	Initial 49% stake

Goldman Sachs takes main stake in cable consortium

By Raymond Snoddy

Goldman Sachs, the international investment bank, has demonstrated its faith in the future of the British cable industry by taking a significant staka in a large cable operation in the Nottingham area.

The US gronp has taken the largest financial stake in a consortium that has acquired control of Diamond Cable, which owns seven franchises covering more than 530,000 homes in the east Midlands.

Goldman has been interested in UK cable for some time and is one of the financial houses involved in the flotation of Telewest, the largest cable operator in the UK. But this is its first direct stake in the industry.

Values of £200 or more are now being quoted for each home in a cable franchise area so the Diamond deal could easily be worth more than £100m overall, although no price has been disclosed. It could cost a further £200m to complete the franchises.

Goldman Sachs is in partnership with two US cable investors, Mr Bob Goad and Mr Ralph Booth, through their company European Cable Capital Partners.

The gronp of franchises came on the market because of the death of their founder, Mr Alan McDonald, whose family will retain a 20 per cent interest.

Work on the Nottingham network was badly hit by Mr McDonald's death.

Now the intention is to take several hundred people on during the next few weeks to speed np construction of the network.

The Nottingham franchises offer both television and telephone services – at the moment there are more telephone subscribers than television subscribers.

Goldman has no present plans to take further cable industry stakes but regards the Diamond deal as providing valuable information abont the realities of the industry as well as "putting our money where our mouth is."

The sale of Diamond was handled by tbe NatWest Bank.

JCB firing on all cylinders

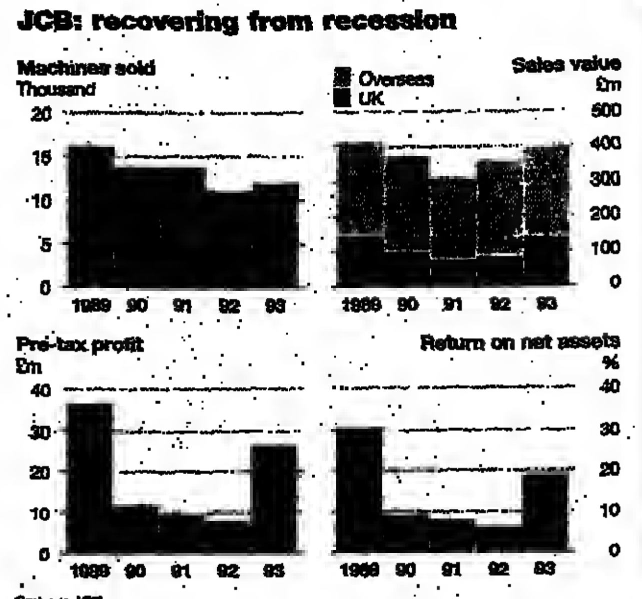
How Bamford faced up to the recession. Andrew Baxter reports

JC Bamford, the UK's biggest construction equipment group, has a justifiable reputation for its product range, design innovation and marketing flair, but its profits have always been more of an unknown quantity.

That is because the Staffordshire-based company, owned by the Bamford family, has long preferred to keep its key figures to itself. But now Sir Anthony Bamford, chairman, has opened the books – at least partially.

Cynics might snggest the timing of the announcement is no accident. After the worst recession in the industry's history, JCB has recovered strongly from the downturn, as the table shows, and Sir Anthony believes pre-tax profits will rise to £30m-£40m this year.

JCB: recovering from recession



Source: JCB

Sir Anthony: looking for £30m to £40m in the current year

In fact, the company has recently introduced a tax-free profit-related pay scheme, which obliges it to give employees more details of its financial performance. And, says Sir Anthony, people outside the company may also be interested in hearing about the financial side of a British engineering success story.

He stresses, however, that there is no other motive. JCB has no ontside shareholders and no debt, and Sir Anthony says: "We are not about to issue a bond or float the company."

The figures revealed by JCB reflect a creditable performance coming through the recession without dropping into the red, but also suggest there is plenty of room for improvement.

The effects of the downturn are shown in the sharp reduction of units sold, to 10,642 in 1991, and in the low point for turnover of £312.3m the same year – when UK sales were little more than half the level of 1989.

Margins have also baen severely squeezed by the competition for sales in what has been a buyers' market. JCB's pre-tax return on sales averaged 11 per cent during the 1980s but plunged to just 2.3 per cent in 1992.

Last year's recovery was due partly to a big upturn in UK sales, now virtually the same as in 1989, while a strong surge in US sales helped trim the overall downturn overseas.

However, the recovery – and the fact that JCB avoided a loss even in the dark days of 1991 and 1992 – also reflected internal measures. "We have faced up to reality, have looked at some pretty bleak scenarios, and have decided what we need to do," says Mr Martin Coyne, chief executive.

By last year the group had reduced its break-even volume to 72 per cent of tha 1990 level, through looking hard at its overheads and distribution costs and by obtaining better prices for its products.

There has also been a significant turnround from a modest cash outflow in 1990 to a very positive cash inflow of £52m last year, due to better control of working capital. Machine stocks held by overseas subsidiaries were reduced by £16m last year, says Mr Tim Leadbeater, commercial and planning director.

Nonetheless, the return on sales last year was still only 6.7 per cent and Mr Coyne says anything less than 10 per cent is "not acceptable." The target is 12 per cent, which Mr Coyne says could be achieved next year.

The immediate challenge for JCB is to stem losses at its wheeled loader division and at JCB-SCM, its excavator joint venture with Japan's Sumitomo Construction Machinery.

The venture had been expected to get into the black this year, but the downturn in the European excavator market and tha strength of the yen have put it about two years behind schedule.

The wheeled loader division, meanwhile, has long been in need of a main product development programme, which has just culminated in the launch of new products. Sir Anthony says he is not sure when it will return to profit.

A further rise in group profits this year would still put JCB short of its record £47m in 1988, when the construction equipment industry was at the peak of an artificially high boom.

However, Sir Anthony believes sales will hit a record £455m this year, up 15 per cent on 1993, and JCB looks on course to achieve that.

De La Rue may act over bid rumour

By Peggy Hollinger

De La Rue, the banknote printer, may be forced to make a statement this week following beavy speculation at the weekend that it is in takeover talks with Portals, the high security paper manufacturer.

Neither company would comment on the speculation yesterday, which followed an announcement from Portals on Friday that it had received a possible bid approach.

However, Mr Les Cullen, De La Rue's finance director, said the company was "very concerned about the speculation".

The board is expected this morning to consider making an announcement if De La Rue's shares suffer as a result of the market rumours. On Friday, De La Rua closed 7p down at 878p.

Portals, which has a market value of about £500m, is expected to make a further announcement on tha takeover talks within the next couple of weeks.

The market has also identified Arjo Wiggins Appleton, the Anglo-French paper group, as a potential bidder.

However, De La Rue, with its £200m cash pile, appears to be the favourite. The company has made no secret of its intention to hit tha acquisition trail.

Portals, which supplies paper to De La Rue, claims 60 per cent of tbe available world market in banknotes and second place in the global tea bag market.

IN BRIEF

PENTOS: the recent rights issue of 191.89m shares has been taken up as 83 per cent of the offer.

CASKET has settled its litigation, begun in 1989, with certain former directors of Kingsley & Forester Group. Costs of £250,000 will be charged to the accounts for the period ending March 31.

FKI has, through its Acco Systems offshoot, won four contracts worth $15.5m (£10.6m) from General Motors for the supply of material handling equipment and systems.

COMPANIES AND FINANCE

Competition hits profits at Singapore Airlines

By Kieran Cooke in Kuala Lumpur

Singapore Airlines (SIA), consistently one of the world's most profitable carriers, said intense competition and the continuing strength of the Singapore dollar caused profits last year to decline.

For the year ended March, pre-tax profits dipped to S$871m (US$555m), a 7.7 per cent reduction over 1992-93. It is paying an unchanged total dividend of 22.5 Singapore cents.

Group revenues rose 10.4 per cent to S$6.24bn and the airline's overall load factor – seen in the industry as an important barometer of performance – improved by 1.7 per cent to 69.5 per cent, in spite of a significant growth in capacity.

Passenger revenues rose by 7.2 per cent and cargo revenues by 14.5 per cent.

However, price competition, particularly on European routes, and the strength of the Singapore dollar pushed yields down by 6.5 per cent. Analysts estimate that nearly 50 per cent of SIA's overall revenues come from its European and transatlantic routes.

SIA claims the most modern fleet among main carriers

In the past, SIA has benefitted from significantly lower staff costs compared with carriers in the industrialised countries. However, increased wage costs are chipping away at SIA's competitive advantage: staff costs in the last 12 months went up by more than 21 per cent.

To reduce operational costs SIA has opened a computer software development and maintenance facility in India, where wages are considerably lower than in Singapore. The airline is also considering transferring its reservations service to India.

SIA's performance improved in the second half of 1993-94. Mr Cheong Choong Kong, SIA's managing director, said there was some indication that the worst was over, and described 1994-95 as a year of transition.

The carrier claims the most modern fleet among main carriers, with its 64 aircraft having an average age of five years. It has forecast annual growth of 8 to 9 per cent until the end of the decade, and is negotiating an order for up to 52 wide-body airliners worth more than $6bn.

Endesa book-building begins

By Tom Burns in Madrid

Book-building for the global share offer in Endesa, the big Spanish electrical utility, has officially begun and subscriptions for the domestic retail tranche of the shares open on Wednesday.

The offer is being made by Endesa's chief shareholder Grupo Teneo, which is part of INI, the public-sector corporation. It will reduce its holding from 75 per cent to 65 per cent.

When Teneo announced the issue in February, it confidently expected it to bring in around Pta200bn ($1.45bn).

At current prices the offering, which will be managed by Goldman Sachs and by Argentaria, the state-controlled domestic bank, is unlikely to raise more than Pta170bn.

In February, Endesa shares were trading on the Madrid stock market at Pta7,350. On Friday they closed at Pta6,500: their January high was Pta7,900.

The expected reduction in sale proceeds will deal a severe blow to Spain's cash-strapped public sector. Endesa is by far the most important profit earner among state-controlled companies.

The proceeds shortfall of some Pta30bn at current prices is equivalent to around half the losses posted last year by Iberia, the state airline and the biggest loss-maker in the Teneo group.

Mr Luis Saenz, Teneo's financial director, said funds raised from the Endesa offering would go towards consolidating the rest of the industrial group.

Losses at Iberia were chiefly responsible for dragging down Teneo's profits from Pta21bn to Pta3bn last year. Losses at INI, Teneo's parent, totalled Pta125bn last year.

SmithKline in agreement on cimetidine

By Daniel Green in London

SmithKline Beecham, the Anglo-US drugs company, has reached an out-of-court settlement with Novopharm, a US manufacturer of generic unbranded drugs, and Schein, its distributor, on the marketing of cimetidine, a generic version of Tagamet, its best selling ulcer treatment drug.

The US patent on Tagamet runs out tomorrow. Under the agreement, Novopharm will be able to market cimetidine from Wednesday.

Last week, SmithKline applied for an injunction against Novopharm, citing patent and trademark infringements: Tagamet tablets are green, as were the cimetidine pills Novopharm proposed to sell.

Under the settlement, Novopharm's cimetidine tablets will be a darker green rather than the pale green of Tagamet.

Novopharm is likely to be one of many generics companies selling cimetidine. SmithKline has in the past said that up to 10 could eventually compete for the market.

Tagamet's US sales are worth $650m a year. The generic products will be sold at a discount that Novopharm estimates to be 30 to 50 per cent of the branded drug's price. Previous price wars between generics companies with other products have taken the discount beyond 80 per cent.

Australian satellite-TV group plans placing

By Nikki Tait in Sydney

Australis, the would-be Australian satellite broadcaster, has secured commitments from both international and domestic institutions, which would allow a A$175m (US$126m) private placement of shares or debentures to go ahead. The stock was priced at A$1.30, a small discount to the current Australis share price of A$1.40.

The placement, of 135m shares or debentures, is subject to approval by Australis's existing shareholders, and a meeting will be called shortly.

The fundraising marks a further step towards the company's goal of having a satellite pay-TV system up and running by the end of this calender year. The fledgling company, which was floated on the stock market last year, became the surprise owner of one of the two publicly-available satellite licences.

In recent weeks, Australis has put out a flurry of announcements, suggesting that its plans are beginning to crystallise. It announced that Tele-Communications Inc, the largest US cable company, was making a small direct investment in Australis, and unveiled a programming tie-up between itself, TCI and TCI-related companies.

Thai banks show benefit of wide margins on lending

By Victor Mallet in Bangkok

First results from Thai commercial banks for 1994 suggest that the sector is continuing to increase profits by maintaining wide spreads between deposit and lending rates.

Siam Commercial Bank announced yesterday that net profit in the first quarter rose by 20 per cent to Bt1.41bn ($56m) from Bt1.18bn, while the smaller Bank of Asia more than doubled its net profit to Bt265.9m from Bt123.9m. Bank of Ayudhya reported a 24 per cent rise to Bt800.7m from Bt647.8m.

Full details have yet to be released, but bank executives said their cost of funds had remained low in the first quarter – a situation which is unlikely to continue throughout the year – while some lending rates had risen.

● Serm Suk, bottler and distributor of Pepsi-Cola products in Thailand, reported a 72 per cent rise in first-quarter net profit to Bt97.3m from Bt56.4m.

PepsiCo is planning to increase its stake in Serm Suk from 28 per cent to 42 per cent and use the company as a vehicle for expansion into other markets in the region.

Alcatel tries to keep Turkish unit afloat

By John Murray Brown in Ankara

Alcatel BV, a Belgian subsidiary of the French telecommunications group, is negotiating a $150m loan to the Turkish government in an attempt to keep its Turkish subsidiary afloat.

The loan would allow the PTT, the Turkish state telecoms company, to settle its TL4,000bn ($120m) debts to Teletaş, Alcatel's 65 per cent owned subsidiary. Senior Belgian Alcatel executives were in Turkey on Friday trying to win backing for the scheme.

Teletaş's troubles highlight the problems of companies dependent on government contracts in the face of the economic downturn. Teletaş derives 95 per cent of sales from the PTT.

The collapse of Teletaş, which was spun off from the PTT in 1988, would further undermine international confidence in Turkey's proposed programme of privatisations.

Turkey has mandated S. G. Warburg to sell convertible bonds in the PTT, as a first step towards floating it. The government hopes to raise $3.5bn this year alone, selling stakes in petroleum refining and distribution groups, a steel concern and THY, the national carrier.

Last month, Teletaş sought court protection from creditors, owing TL2,743bn to 34 foreign and Turkish banks.

The crisis caused the resignation of the Teletaş president Mr Sakip Sabanci. With Akbank, the Sabanci family bank, one of the largest trade creditors of Teletaş, Mr Sabanci indicated he wanted to shelter from allegations of conflict of interest.

Three Turkish banks, Demirbank, Vakifbank and Alternatifbank, hold liens against company assets. The remaining creditors, of which Société Générale, the French bank, has the largest exposure, are unsecured.

If less than 75 per cent of creditors agree to Teletaş's proposed rescheduling, the court will force the company to declare itself bankrupt.

Hollinger ahead in first quarter

Hollinger, the Canadian holding company of Mr Conrad Black, says its publishing properties are improving with a significant recovery in advertising, writes Robert Gibbens in Montreal.

First-quarter profit was C$12.6m (US$9.1m) or 22 cents a share, against C$13.7m or 20 cents a year earlier.

Hollinger owns newspaper holdings in North America, Australia and Israel, and 66.3 per cent of the Telegraph Group in the UK.

Recovery at Tabacalera

Tabacalera, the partly-privatised Spanish tobacco monopoly, saw earnings recover in the first quarter of the year after a sharp setback in 1993, writes David White in Madrid.

Pre-tax profits were 17 per cent higher at just under Pta4bn ($29m). Net sales reversed last year's trend to increase by 9 per cent to Pta140bn in the three months.

Four ambitions and a film studio

Continued from Page 15

the only European-based studio. The only and unique case of a [European] film company with its own distribution." By 1996 he hopes to be producing 15 to 20 feature films a year.

Because the company is taking on a larger number of more ambitious pictures and handling more of the distribution itself, Mr Kuhn will later this year have to go back to his board to ask for more backing. The original deal, designed to take PolyGram into the mainstream movie business, announced in 1991, involved an initial investment of around $200m over three years.

That may have to rise to $400m compared with the $500m to $1bn of working capital needed by an orthodox major studio. "Once we emerge from the chrysalis, suddenly you will see, I hope you will see anyway, a significant increase in shareholder value. This is no longer a record company. This is an entertainment company," says Mr Kuhn.

He had to edge into film production through music videos and later music films after a disastrous previous attempt to take on Hollywood with PolyGram Pictures. Combined with the 1979-81 recession in the record business, "PolyGram was bust," he says.

He had four ambitions: he tackled production first through the acquisition of stakes in independents rather than spending billions of dollars buying an established studio. So PolyGram acquired or took large stakes in independents such as Working Title (*My Beautiful Laundrette*), Propaganda Films (*Wild at Heart*) and Interscope (*Three Men and a Baby*) – the last, a $35m deal, came with 75 projects in development.

The second ambition was to add video distribution to the group's existing international record distribution network. The third was to set up Gramercy as its North American distribution company for smaller films – big pictures in the US still go through traditional distribution channels. Kuhn's fourth ambition is to acquire a major film catalogue to smooth out the troughs in film distribution.

As *Four Weddings and a Funeral* opens in the UK, he is very enthusiastic about a new PolyGram film, *Priscilla Queen of the Desert*, about three transvestites travelling across Australia to perform at Alice Springs. And that only cost $2m to make.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National 9.85p
Akzo Nobel FL15.0
Do. Bearer Certs. FL15.0
Aon $0.48
Arcolectric 0.66p
Do. A N/Vtg. 0.66p
Britannia Bldg. Scty. FRN 1996 £133.85
Burndene Invs. 15% Un. Ln. 2007/12 £7.50
Chase Manhattan $0.33
Colgate-Palmolive $0.36
Commonwealth Bank of Australia 9¾% Nts. 1996 A$97.50
Export-Import Bank of Japan 10¾% Gtd. Bd. 2001 £107.50
IMI 5.8p
Int. Bank for Reconstruction & Devlpmnt. 11¼% Nts. 1995 £112.50
Investors Capital Tst. 4% Db. £2.0
Isle of Man Steam Packet 7.5p
JIB Grp. 5p
Kleinwort Benson 12.5p
Macallan-Glenlivet 0.74p
Manders 7.1p
Marsh & McLennan $0.675
More O'Ferrall 10p
National & Provincial Bldg. Scty. 10% Nts. 1997 £1000.0
Nat West Bank Var. Rate Cap. Nts. 2008 $107.75
Nationwide Bldg. Scty. 11¼% Nts. 1995 £562.50
Nichols (JN) (Vimto) 3.6p
Pall Corp. $0.0925
Premium Tst. 0.25p
Sheffield Insulations 3.6p
Skopbank Ser.B Und. Sb. Var. Rate Nts. $109.01
Sumitomo Bank Int. Fin. Gtd. FRN 2000 $96.37
Thorpe (FW) 1p
Trace Computers 0.55p
Treasury 2% I.L. 1994 £1.379

■ TOMORROW
ASW Hldgs. 3p
Capita Grp. 1.7p
Coats Viyella 4.75p
Commercial Union 9.75p
Drive Sec. Class A FRN 1996 £135.94
Do. Mezzanine FRN 1996 £155.45
Electricite de France 11¾% Gtd. Serial Ln. 2009/12 £293.75
Enso-Gutzeit A FM0.60
Do. R FM0.60
Goal Petroleum 1.45p
HSBC Sb. Clrd. FRN 2008 $25.14
Laporte 13.3p
Manchester Utd 6.5p
Minerals Oils & Resources $0.19
National & Provincial Bldg. Scty. FRN 1999 £128.01
Nat West Bank Jnr. Gtd. FRN $125.69
Refuge 7.9p
Royal Bank of Scotland FRN 2005 £64.01
Scholl 3.8p
Stora B Free SK6.50
Toyobo FRN Feb.1998 Y67333.0
Treasury 9% Ln. 1994 £4.50

■ WEDNESDAY MAY 18
Argos 5.65p
Bank of Scotland Und. Fltg. Rate Cap. Nts. $185.40
Britannia Bldg. Scty. FRN 1995 £127.40
Chase Manhattan FRN 2000 $123.61
Gen. Motors Acceptance 10% Nts. May 1994 $500.0
Henderson Highland Tst. 1.4p
Hornby Grp. 9p
Lloyds Bank Ser.B Var. Rate Fltg. Sb. Nts. 1998 £135.94
Midland Bank Sb. FRN 2001 £83.70
Reed Int. 12.75p
River & Mercantile Am. Cap. & Inc. Tst. 2.4p
Wells Fargo Fltg. Rate Sb. Cap. Nts. 1998 $91.19
Woolwich Bldg. Scty. FRN May 1994 £128.01
Treasury 10% 2004 £5.0

■ THURSDAY MAY 19
Bemrose 7.45p
Bluebird Toys 16p
Bournemouth Water 91p
Britannic Assurance 8.75p
Burn Stewart Distillers 1.7p
Capital Inds. 2.4p
Exchequer 9% 2002 £4.50
Export-Import Bank of Japan 9¾% Gtd. Bd. 1999 $487.50
Lambert Howarth 9.25p
P & O 7¼% Cv. Bd. 2003 £36.25
Treasury 10½% 1999 £5.25
Wellcome 9¾% Bd. 2006 £97.50
West Hampshire Water 60p
Do. N/Vtg. 60p

■ FRIDAY MAY 20
Blue Circle 6¾% Sb. Cv. Bd. 2002 £68.75
Caterpillar $0.15
CentreGold 0.8p
Deutsche Bank Br DM16.50
EBC 2.25p
Exchequer 12% 1996 £6.0
Fintrust 9¼% Db. 2023 £4.625
Hasbro $0.07
Hodder Headline 3.35p
Home Counties Newspapers 2.5p
Lec Refrigeration 5p
Life Sciences 2.5p
Lilliput 0.6p
Lloyd Thompson 2.4p
Mallett 2.5p
Mayflower 0.9p
Merchants Tst. 2.85p
Portugal (Rep of) 9% Ln. 2016 £225.0
Pressac 0.75p
Sea Containers A $0.1925
Do. B $0.175
Sime Derby M$0.035
Sumit 2.3p
Treasury 2½% I.L. 2003 £2.2521
Treasury 2½% I.L. 2009 £2.2521
UDO 2.22p
Unilever FL4.40
Unilever 18.95p
Wassall 2.4p
Wells Fargo $1.0
Wetherspoon (JD) 2.2p
Woodchester Invs. IR3.09p

■ SATURDAY MAY 21
Treasury 12½% 2003/05 £6.25

■ SUNDAY MAY 22
Conversion 10¼% 1999 £5.125
TSB Offshore Inv. Ptg. Rd. Pf. Blue Chip & Gilt Edged 0.9p
Do. Gilt & Fixed Int. 1.92p
Do. Int. Bd. 1.91p
Do. Sterling Dep. 1.04p
Do. UK Equity 1.5p
Treasury 2½% I.L. 1999 £2.167
Treasury 14% 1998/2001 £7.0

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Henderson Highland Tst., 3, Finsbury Avenue, E.C., 12.15
ISA Int., 14, Eldon Place, Manningham, Bradford, 10.00
Quicks Grp., Centre House, Ashburton Road, East Trafford Park, Manchester, 11.30
Savoy Hotel, Savoy Hotel, Strand, W.C., 12.00
BOARD MEETINGS:
Finals:
British Inv. Tst.
Diploma
Personal Assets Tst.
Whitbread
Interims:
Celltech
Fenner
Huntingdon Int.

■ TOMORROW
COMPANY MEETINGS:
Bemrose, North Bar House, Beverly, North Humberside, 12.30
Fisons, Hilton Hotel, 22, Park Lane, W., 10.30
Goldsmith Grp., 4, Broadgate, E.C., 12.00
Hemingway Properties, 33, Wigmore Street, W., 11.00
Home Counties Newspapers, Naval & Military Club, 94, Piccadilly, 10.30
Marley, Riverhead, Sevenoaks, Kent, 12.00
RJB Mining, West Retsford Hotel, Retsford, Notts., 10.00
River & Mercantile American Cap. & Inv. Tst., New Connaught Rooms, Great Queen Street, W.C., 11.00
Steel Burrill Jones, Haberdashers Hall, Staining Lane, E.C., 11.00
Telemetrix, 7, Birchin Lane, E.C., 11.00
BOARD MEETINGS:
Finals:
Allied-Lyons
Baring Stratton Inv. Tst.
Drayton Korea Tst.
Hartlepools Water
Seafield
Slam Selective Growth
Smith (J) Estates
Worth Inv. Tst.
Interims:
Abacus
Anglo Irish Bank
Dalian Lloyds Inv. Tst.
Hanson
River & Mercantile American Cap. & Inc. Tst.
Sanderson Elect.
Scottish Value Tst.

■ WEDNESDAY MAY 18
COMPANY MEETINGS:
Arjo Wiggins Appleton, Savoy Hotel, Strand, W.C., 12.00
Black (A & C), Spectrum House, 20-26, Cursitor Street, E.C., 12.00
Bowthorpe, Howard Hotel, Temple Place, W.C., 12.00
Capital Inds., Butterfly House, St. Neots, Huntingdon, Cambs., 11.00
Cookson, Plaisterers Hall, 1, London Wall, E.C., 11.30
Densitron Int., Unit 4, Airport Trading Estate, Biggin Hill, Westerham, Kent, 12.00
Erith, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Legal & General, Temple Court, 11, Queen Victoria Street, E.C., 2.30
Reckitt & Colman, New Connaught Rooms, Great Queen Street, W.C., 11.15
Simon Eng., Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.00
Slough Estates, Savoy Hotel, Strand, W.C., 12.00
Sun Alliance, Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00
Unichem, Unichem House, Cox, Lane, Chessington, 10.00
BOARD MEETINGS:
Finals:
Brent Walker
British & American Film
Fleming European Fledgling Inv. Tst.
National Power
Ocean Wilsons
Interims:
Baggeridge Brick
Bass
Compass
Concentric
Crabtree
Grp. Devlpmnt. Cap. Tst.
New Zealand Inv. Tst.
Ptarmigan Int.

■ THURSDAY MAY 19
COMPANY MEETINGS:
Ash & Lacy, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.30
Ashley (Laura), Carno Community Centre, Carno, Powys, 10.00
Bluebird Toys, The Mulberrys, Kembury Park, Swindon, Wilts., 11.00
Cannon St. Invs., 195, Piccadilly, W., 12.00
Enterprise Oil, Glaziers Hall, 9, Montague Close, London Bridge, S.E, 12.00
GKN, Royal Lancashire Hotel, Lancaster Terrace, W., 11.00
Guinness, Royal Lancaster Hotel, Lancaster Terrace, W., 3.00
Hammerson, Dorchester Hotel, Park Lane, W., 10.00
Hepworth, Institute of Directors, 116, Pall Mall, S.W., 12.00
Iceland Grp., Second Avenue, Deeside Industrial Park, Deeside, Clwyd, 10.00
Laing (John), Dacorum District Council Pavilion, Marlowes, Hemel Hempstead, 2.15
Liberty, 25, Great Marlborough Street, W., 12.00
Russell (Alexander), Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Shell Transport & Trading, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Trade Indemnity, 12-34, Great Eastern Street, E.C., 12.00
UK Safety, Swallow Royal Hotel, College Green, Bristol, 12.00
Wace, St. Matthews House, Shepherdess Walk, N., 11.00
Willis Corroon, 10, Trinity Square, E.C., 12.00
BOARD MEETINGS:
Finals:
Airflow Streamlines
British Telecom
City of London PR
Delyn
Ferguson Int.
Fine Art Dev.
Fine Decor
Jackson Grp.
Policy Portfolio
Signet
Westbury
York Waterworks
Interims:
Alexanders
Burton
Capital Radio
Goldsborough Healthcare
River & Mercantile Tst.
SEP
Sec. Endowment Contracts

■ FRIDAY MAY 20
COMPANY MEETINGS:
Dawsongroup, 135, Bishopsgate, E.C., 12.00
Forth Ports, Grosvenor House Hotel, Park Lane, W., 11.00
Grampian Hldgs., Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Lec Refrigeration, Chichester Resort Hotel, Chichester, 11.30
Newman Tonks, Metropole Hotel, NEC, Birmingham, 12.00
Next, Institute of Directors, 116, Pall Mall, S.W., 10.45
Senior Eng., Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.30
Tesco, Merchant Taylors Hall, Threadneedle Street, E.C., 11.00
Torday & Carlisle, Marriott Hotel, Gateshead, 9.30
Tudor, Pedmore House, Ham Lane, Pedmore, Stourbridge, W. Midlands, 12.00
Utd. Friendly Grp., 42, Southwark Bridge Road, S.E., 12.30
Weir Grp., Merchants House, George Square, Glasgow, 12.00
BOARD MEETINGS:
Finals:
Baris Hldgs.
F & C German Inv. Tst.
Lazard Select Inv. Tst.
Premier Health
Interims:
Dobson Park
Wolverhampton & Dudley Breweries

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

The Markets

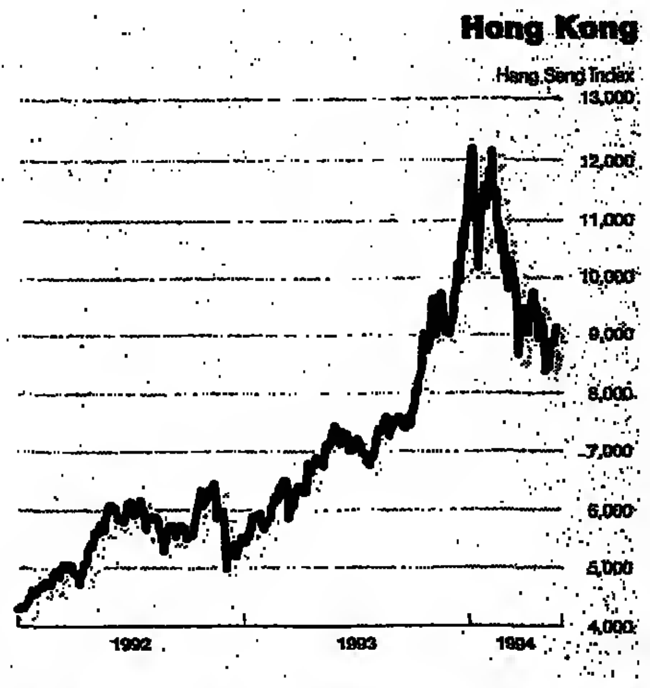
THIS WEEK

Global Investor / **Martin Dickson**

Fed strives for right pitch

Global markets will take their lead this week from the US, wbere the Federal Reserve seems certain to pnt up sbort-term interest rates at tomorrow's meeting of its policy-making Open Market Committee. The only question is bow much it will tighten, and how well or badly this will be received by Wall Street.

Opinion is sharply divided as to whether the bank needs to raise the Fed funds rate by 25 basis points, to 4 per cent, or 50 points. There is a general presumption that it will couple a move on Fed funds with a 50 point increase in the discount rate, which the Fed itself cbarges for loans. While the discount rate is nowadays regarded by Wall Street as a largely symbolic indicator of monetary policy, it still carries some weight internationally.



The Fed's gradualist approacb – it has increased in 25 basis point increments since it started tightening in February – suggests it will raise Fed funds to 4 per cent, with another 25 point increment at or before the FOMC's next meeting, in early July. Recent signs of greater moderation in tbe rate of US aconomic growtb could reinforce this stance. But investor sentiment argues for a 50 basis point increase.

The bond market's volatile behaviour over the past two weeks suggests that the Fed still bas to convince Wall Street of its inflation-fighting credentials, even though last week's excellent inflation statistics for April underscored that rising prices are not yet a problem.

The Fed's three previous 25 point increases bave merely served to leave tbe market anticipating more, and Fed Funds at 4.25 per cent is already largely factored in to short-term rates. A rise on Tuesday of just 25 basis points could thus be bearish for bonds, the dollar and stocks.

A 50 point increase would be more likely to underpin current bond market values and the dollar. Certainly, higher US rates are a necessary second step to reinforce tha recent round of central bank intervention to support the currency. And a 50 point rise would neatly match last week's unexpected cnt in German rates, creating the impression that banks are co-ordinating their interest rate structures as well as their foreign exchange market operations.

But even this more aggressive stance may be insufficient to trigger a sustained bounce back in bond and stock prices from the current correction.

The fragility of sentiment in recent weeks shows Wall Street is still struggling to come to grips with the dimensions of the turn in the interest rate cycle, with economic opinion sharply divided over the wisdom of Fed policy: while a majority fears the bank is still too accommodating, a vocal minority argues that it is in danger of choking off growth by fighting yesterday's enemy, since improving prodnctivity, and intense domestic and international competition will keep inflation under control. A plethora of economic statistics and historical analogies suggest long bond yields are abnormally high, but in the current market such fundamentals are of limited help, and it may take a further cathartic plunge in fixed income and equity values before investor psychology turns.

■ France

Whatever the outcome, and rights or wrongs, of the current Anglo-French tiff over aircraft landings at Orly airport, the publicity surrounding the affair is unlikely to bolster France's image among US fund managers, who account for such a large part of global investment flows.

The economy may be starting to recover, but since the Frencb Government's climbdown last October over a threatened strike at Air France, American investors have qnestioned tha willingness of Prime Minister Balladur to put the competitive restructuring of French industry ahead of social goals.

The Orly row can only reinforce that concern. For example, Morgan Stanley strategist Mr Richard Davidson recently went underweight on French equities in his model portfolio, fearing that "French Government policies are reacting to political pressures rather than economic objectives."

■ China/ Hong Kong

Weekend news that Beijing has freed the second of two dissident leaders of the Tiananmen Square uprising increases the chances that the US Government will renew China's Most Favoured Nation trade status. The *Clinton Administration* is due to decide on the issue on June 3 and uncertainty over the outcome could hang heavy over Hong Kong equities for the next few weeks.

The White House, which has tied renewal to significant Chinese progress on human rights, seems unlikely to withdraw MFN status completely, since this would provoke a crisis in bilateral relations, severely damage American companies' opportunities in the burdgeoning Chinese market, and cause fresb unease in global bond and currency markets over the president's execution of foreign policy.

MFN revocation would hit Hong Kong hard. The China Analyst newsletter reckons that the increased tariffs would price at least $20bn (£13.6bn) of Chinese exports out of the US market – nearly 63 per cent of its exports to America – and that some 70 per cent of this trade goes through Hong Kong.

An alternative being kicked around Congress, is a partial removal of MFN status, imposing punitive tariffs on selected state-owned Chinese factories, but keeping them off private sector products. This would be hard to enforce and would still infuriate China.

The noises from both capitals have been more conciliatory in recent weeks, but anything less than than full MFN renewal would have a depressing impact on Hong Kong stocks. Renewal could spark a rally in the Hang Seng, yet an overblown Hong Kong property market, tightening credit conditions in China, and rising interest rates in the US (to which the colony's currency is pegged), suggest that the relief would be overahadowed quickly by other concerns. It still looks wise to be underweight here.

■ Sprint

Sprint, *the third largest* US long-distance telecommunications group, is talking to Electronic Data Systems, the world's leading computing services company and a subsidiary of General Motors, about a merger or alliance.

The discussions are the latest manifestation of the convergence of the telecommunications and computer industries and a full takeover would create a powerful new force, both in the US and internationally, in the multi-media revolution.

A looser alliance may be the more likely outcome, given the cultural problems of putting the two together and possible tax complications for GM in a full disposal.

However it is structured, a deal could be very beneficial for both *companies*. Sprint would get greater access to EDS's large business customers, and EDS's computer expertise would be helpful in a nationwide cellular telephone service which Sprint is trying to set up.

EDS, which runs its own glohal communications network, could substantially cut the cost of its leasing lines, and becoma more centrally involved in multi-media.

Sprint is one of the cheaper US telecom stocks, trading on a prospective p/e of about 14.5. It seems never to have shaken off its lacklustre Wall Street image of several years ago, when poor long-distance marketing led to a loss of market share.

However, it is has now built up a strong brand name, thanks to an aggressive advertising campaign, and its careful targetting of affluent individuals and small business is winning back market share. Its local telephone business is among the most efficient in the nation and its cellular operations are enjoying particularly fast growth.

As the smallest of the three big long-distance companies, it is subject to greater investor anxiety ahont eventual long-distance competition from the Baby Bell companies, now barred from that market. But that is a good five to 10 years away, and Sprint is well on the way to establishing itself as as a nationally branded telecommunications service. A non-dilutive EDS deal should bolster the stock, as would a link with an international partner.

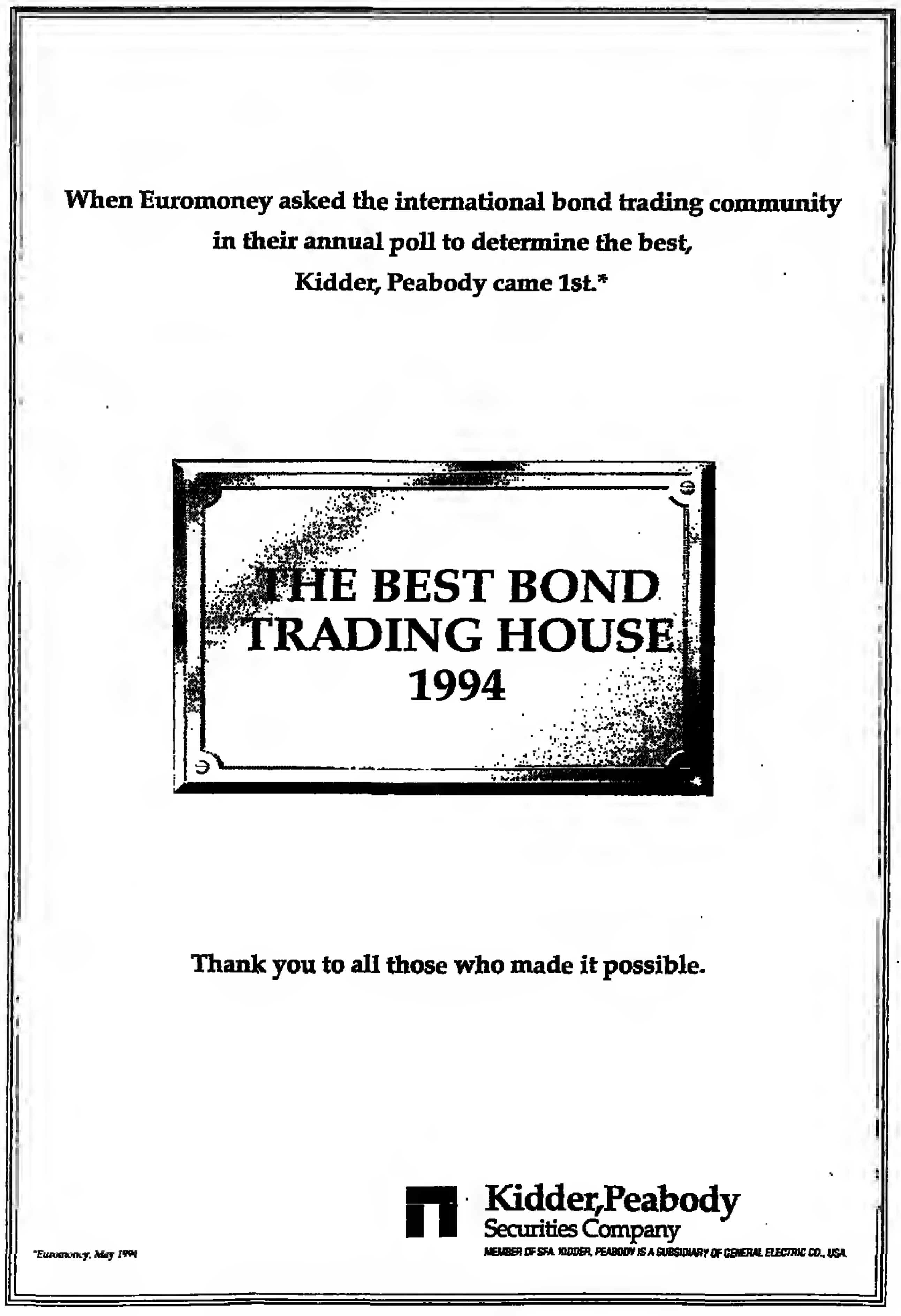
Total returns in local currency to 12/5/94

	% change over period: US	Japan	Germany	France	Italy	UK
Cash						
Week	0.07	0.04	0.10	0.11	0.15	0.10
Month	0.31	0.19	0.48	0.51	0.68	0.42
Year	3.31	3.25	6.44	6.94	10.44	6.19
Bonds 3-5 year						
Week	-0.80	0.67	0.56	0.49	0.67	0.35
Month	-1.51	1.21	0.03	-0.27	-0.12	-1.05
Year	-1.10	7.21	7.20	7.63	19.21	5.39
Bonds 7-10 year						
Week	-1.50	0.37	0.66	0.93	1.160	-0.04
Month	-2.33	1.54	-1.64	-2.19	-1.67	-2.95
Year	-2.69	9.91	6.07	7.64	26.27	5.61
Equities						
Week	-1.8	3.5	0.1	0.5	3.8	0.8
Month	-0.6	3.0	1.4	0.7	0.7	-0.5
Year	2.2	4.2	35.6	23.3	54.8	15.2

Best performing stocks from FT-A World Indices in local currency to 12/5/94

	Close	% change: Week	Month	Year
Bridge Oil (Aus)	0.73	30.4	43.1	23.7
Bougainville Copper	0.80	25.0	0.0	53.9
Fujiya (Jap)	735.00	20.5	17.0	7.3
Southern Life (RSA)	35.00	19.7	21.7	33.3
Mandarin Oriental (HK)	10.90	17.2	0.9	26.7
RAS (Ita)	20,450	16.8	16.3	43.4
Chinese Estates (HK)	7.50	16.3	-24.6	83.8
Uralita (Spa)	1,540	16.2	21.3	91.8
Saipem (Ita)	4,300	15.9	8.6	49.8
MIM Holdings (Aus)	3.15	15.4	4.7	52.2

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.



Economics Notebook / **Peter Norman**

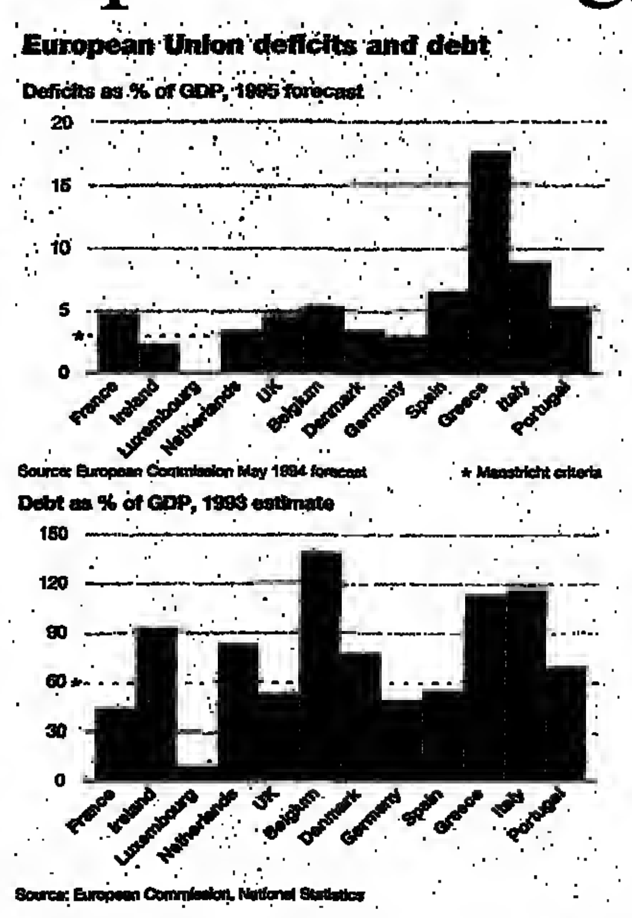
Deficit criteria could prompt EU struggles

It has been customary for policy-makers in the European Union to ignore or minimise awkward issues and then be surprised when market or political forces overwhelm their plans.

This happened in 1992 and 1993 when member governments so underestimated the problems of ratifying the Maastricht Treaty and the impact of recession and divergent monetary policies on the European Monetary System that the EU was wracked by political and currency crises.

Things may now be changing. Partly because of those events, and partly because the Maastricht Treaty inclndes tough rules against "excessive *deficits*", *officials* in the *European* Commission and EU finance ministries and central banks are giving early thought to Europe's large fiscal deficits.

Not only are tha deficits a significant economic problem in their own right: they are emerging as the biggest economic (as opposed to political or technical) barrier to a move by member states to the third and final stage of economic and monetary union by the end of the century. They also bave the potential for creating strains in the EU between anti-deficit hardliners, such as the Bundesbank, and those who see political advantages in a flexible approach to deficit reduction.



The latest Commission forecast, published last week, highlights the problem. Under the Maastricht Treaty's convergence criteria, a country is supposed not to become an Emu member if its fiscal deficit exceeds 3 per cent of gross domestic product or its stock of government debt is more than 60 per cent of GDP.

But, as the top chart shows, only three countries – Ireland, Luxembourg and Germany – will meet the deficit rule by the middle of the decade. The lower chart shows that a majority of EU members exceed the debt guideline, with four countries having stocks of debt of more than 50 per cent above the Maastricht limit, including Belgium and Italy, members of the original EEC.

At present, 11 of the 12 member states appear to be running "excessive deficits" as measured by the Maastricht criteria. Although Mr Henning Christophersen, the commissioner for economic and monetary affairs, has predicted that during 1997 a majority of present members should fulfil the criteria , it is hard to imagine Belgium, Italy, Greece and Ireland ever being able to meet the 60 per cent debt to GDP ratio. Relatively high real interest rates and typically moderate EU growth rates offer no escape from the debt trap.

No-one is shedding tears for Greece, the EU's economic delinquent. But the political pressures to smooth the entry to Emu for Ireland, which meets all other Maastricht requirements, and Italy and Belgium are mounting. They could become especially powerful in Belgium's case if Mr Jean-Luc Dehaene, the Belgian prime minister, succeeds Mr Jacques Delors as commission president

The treaty makes provision for the deficit and debt criteria to be disregarded in certain limited circumstances. The deficit guideline need not apply if the ratio "has declined substantially and continuously" towards 3 per cent or the excess is "only exceptional and temporary." In both cases the ratio should be close to the guideline. The 60 per cent debt ratio can be disregarded if the actual ratio "is sufficiently diminishing and approaching the reference value at a satisfactory pace."

It is less well known that the commission has important discretionary powers that could enable member states, which fail to meet the convergence criteria regarding the deficits and debt, to be exempt from the excessive deficit rule.

Under the complex procedure for defining and acting upon excessive deficits, it is up to the council of economic and finance ministers to determine whether a country has an "excessive deficit" that would bar it from Emu.

But the council acts on a recommendation from the commission. According to article 104c paragraph 5 it is for the commission to decide if a given deficit is excessive and to address an "opinion" about it to the council. If the commission provided no opinion, the ministers would have no basis for deciding whether the country was infringing the excessive deficit rules. The applicant country's membership of Emu could not be blocked on these grounds.

These issues may seem arcane, especially if Emu turns out to be several years away (and may never come in Britain's case). But the excessive deficit procedure could be applied for the first time this year. Already some policy makers are trying to ease tha *impact of the rules*.

In Belgium's case there has been a suggestion that privatisation proceeds be counted towards the deficit reduction effort, even though this is technically not possible under the treaty, which measures deficits by the European system of national accounts.

Earlier this year, Mr Christophersen touted the idea of liberal interpretation of the deficit and debt criteria so that countries sucb as Belgium would not be excluded from Emu. He told a Brussels seminar it had "always been understood that the judgment on whether a member state fulfils the conditions for participation in stage 3 would be based on an assessment, and not on a mechanical application of the convergence criteria."

Remarks such as these have prompted angry responses from members of the Bundesbank central council, including Prof Reimut Jochimsen, the influential bead of the state central bank in North Rhine Westphalia. Such rumblings could presage a greater storm.

The commission looks as if it could land between a rock and a hard place. If it takes a hard line with the EU's debtors, and Belgium in particular, it will only advertise how far the EU countries are from achieving Emu. If it tries to bend the Maastricht criteria for political reasons, it risks running foul of the Bundesbank, other EU central banks and the German constitutional court.

EMERGING MARKETS: This Week

The Emerging Investor / Ted Bardacke in Mexico City

Devaluation raises questions about Mexico

A poor first quarter performance by large Mexican companies, caused primarily by an 8.6 per cent devaluation of the peso, has foreign investors re-evaluating the creditworthiness of the country's private sector.

It has also prompted borrowers to search for new hedging instruments in case of a further fall in the currency's value.

Over the past couple of years, Mexican companies have borrowed some $20bn to take advantage of dollar interest rates being well below those in pesos.

In the first quarter of 1994 they paid for it. Exchange rate losses on this debt, reflecting the increased cost of repayment, approached $1bn. Telmex, Cemex, Aeromexico and other companies were forced to take charges against earnings of $100m or more.

Companies suffered such large losses because they were not active in Mexico's meagre foreign exchange coverage market, where rates are expensive and contracts short.

One solution would be for the Banco de Mexico, the central bank, to offer the instruments necessary for the development of a futures market for the peso, allowing companies to hedge their dollar debt with a minimum of fuss.

However a return of the peso to the futures market would require the central bank to issue long-term fixed-rate government debt in pesos. At the moment two-year variable-rate notes are the longest the bank offers.

In addition, Mr Miguel Mancera, governor of Banco de Mexico, is said to oppose a futures market for fear of losing control over the exchange rate to speculators.

However, if the central bank does not move quickly, an offshore parallel peso futures market may develop. For some time, a few companies have been using the cheap dollars lent to them by foreigners for speculative rather than investment purposes.

Some stop-gap hedging techniques are beginning to emerge. Tribasa, a construction company, has over-collateralised the toll roads it has recently securitised, placing between 8 per cent and 10 per cent of bond proceeds in offshore dollar accounts, to be used in case of a devaluation.

Other companies, such as Grupo Carso, decided to convert a significant portion of their dollar loans to peso debt when domestic rates fell below 9 per cent in February.

The arrival of foreign banks to the peso lending market, scheduled for this summer, is also likely to bring new tools for corporate treasurers. One US banker said that a recently approved trade line in dollars was turned down by the soliciting company. "Instead they want us to teach them how to hedge their current dollar obligations."

Potential investors and lenders say that they are beginning to change the focus of their credit analysis of Mexican companies, with the size of current dollar obligations together with potential foreign exchange earnings becoming more important than overall debt-to-equity ratios.

"The price-driven market is probably over, with fundamental credit analysis replacing spread over treasury as the defining criteria," said Ms Rebecca Miller of Bear Sterns. "It's time to be sticking to the knitting."

While companies argue that their capital assets, which increase in value with each fall of the peso, are enough to guarantee their dollar loans, foreign lenders are increasingly seeking to link new capital to actual dollar income.

"We don't lend working capital," said one US banker in explaining why his bank was unlikely to suffer from the recent devaluation. "Dollar loans must equal dollar revenues. More than being scared by this first quarter, we remember 1982." Mexico's shortage of foreign exchange in 1982 presaged the 1980s debt crisis.

Even share offerings are being scrutinised for their ability to generate non-peso revenue. Managers handling a recent $130m public offering of Gruma, Mexico's largest tortilla maker, say that they were only able to get the price they wanted after assuring investors that three-quarters of the revenue would be destined for expansion projects outside Mexico.

There is little doubt that Mexican companies, paying local lending rates of about 20 per cent, are still in the market for foreign debt, even in these times of higher risk.

"We need dollars. It is the only way to compete," said Enrique Flores of Alfa, the steel and petrochemical conglomerate. He was undaunted by first quarter exchange write down of more than $100m and an overall loss of $61m.

"This quarter reminded us that we have to watch our proportion (of dollar debt) and make sure we earn some dollars from each new capital investment. But we are still in the market."

Others, if they have sufficient cash in the bank, are likely to try to ride out the instability, not forcing any new dollar issues until cost estimations can be properly determined. For many, it may be the most wise move until the exchange market volatility subsides.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Doktas	Turkey	0.4450	0.1725	63.31
CSN	Brazil	0.0238	0.0047	24.44
Usiminas	Brazil	0.0009	0.0001	17.99
Daewoo Heavy Industries	S.Korea	17.4927	2.3853	15.79
Lucky	S.Korea	22.3311	2.7658	14.14
Genting	Malaysia	12.0713	1.4733	13.990
TPI Polene	Thailand	6.7736	0.7804	13.02
Bagfas	Turkey	0.1358	0.0155	12.85
C.P. Feedmill	Thailand	6.5360	0.6221	10.52
Krisda Mahanakorn	Thailand	3.0897	0.2519	8.88

Source: Baring Securities

Pakistan fall blamed on a number of factors

Pakistani share prices had recovered some of the week's losses as the Karachi stock exchange closed for the week on Thursday, *writes Farhan Bokhari in Islamabad.*

But the temporary recovery did little to strengthen investors' confidence after a week of spectacular falls.

The KSE-100 index gained 38 points to 2,227, still significantly less than last Sunday's opening index of 2400.50.

Many analysts saw the falls as having been triggered by the law and order situation in Karachi where recent politically motivated killings and public demonstrations, have created fresh uncertainty.

Moreover, Pakistan's annual budget, due next month, is expected to include a widening of the general sales tax to more than 100 new items.

In addition, a leading company on the market, Dewan Salman Fibres, has suffered a setback after a recent Euroconvertible issue. At one point, the bond was trading at 10 per cent below its face value. That has dampened hopes for other companies considering similar plans.

Finally, many brokers argued that falls in share values at other Asian markets had an effect. "The overseas investors' buying momentum has really slowed. There's a total lack of fresh buying coming in," said Mr Mudassar Malik, a director at BMA Capital Management.

However Mr Nasir Bukhari, chief executive of Khadim Ali Shah Bukhari, said: "There had been a fabulous run-up which was due for correction." Other brokers share Mr Bukhari's assessment of the index, which had almost doubled in the past 6 to 7 months.

News round-up

■ Taiwan

Taiwan has abolished rules restricting foreign insurers from establishing subsidiaries on the island, *agencies report.* The finance ministry said that it had scrapped a rule restricting a foreign insurer from taking a stake of no more than 30 per cent in a local insurance company. A ceiling of 49 per cent on total investment by foreigners in a local insurer was also abolished, the ministry said.

■ Portugal

The country's bond market is to be reformed next month with a comprehensive package of measures designed to increase liquidity, improve efficiency and bring trading practices into line with other European capital markets. The government has said that the measures will create a wide range of new instruments.

■ Venezuela

The new tax on private sector debit transactions is not to be applied in full force to the stock exchange. Instead, the 0.75 per cent tax, taking effect later this month, will be applied just to the buyer's cheques. However, Mr Tony Ewell of BZW in London noted that foreign investors would be taxed another 0.75 per cent when they seek to repatriate their money.

■ Mexico

The government has sold the final stake in Teléfonos de Mexico, the telephone utility, in a convertible offering worth up to $550m. This concludes the privatisation of Telmex, the largest public company sold by a developing country. The privatisation began at the end of 1990 when the government sold a controlling 20.4 per cent stake for $1.76bn.

■ China

China plans an increase in B share listings which are denominated in dollars for foreign investors in an attempt to encourage its stock markets. Mr Liu Hongru, chairman of the China Securities Regulatory Commission, said the B-share market was too limited.

● Emerging markets coverage appears daily on the World Stock Markets page.

CURRENCY MARKETS Philip Gawith

Market focus remains on the dollar

Foreign exchanges will again focus on the dollar this week, with markets anticipating a further tightening of US monetary policy.

The dollar has been fairly stable since central banks intervened to support it earlier this month, but further stability presumes that the policy-making Federal Open Markets Committee will lift interest rates when it meets tomorrow.

The market is expecting a fairly aggressive tightening, with most observers predicting that the Fed will lift the discount and federal funds rates by 50 basis points. Anything less is likely to lead to a renewed sell-off of the dollar, and further weakness in the US bond market. The two have traded in tandem recently.

Last week the dollar gained support from the Bundesbank's aggressive cut of 50 basis points in official interest rates. It also benefited from the Bank of Japan easing monetary policy, by allowing overnight interest rates to fall to their lowest level in 18 months.

A tightening from the Fed would represent the final stage in what appears to have been a concerted sequence of monetary policy initiatives, aimed at supporting the dollar, after the initial round of intervention.

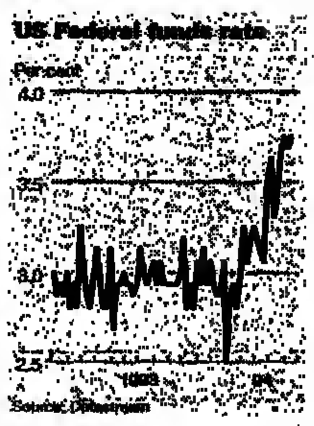
Mr Steve Hannah, head of research at IBJ International in London, said that the cut in German rates last week appeared to have given the dollar a solid base against the D-Mark. He said European investors also tended to believe that the dollar would recover from current levels.

He is less optimistic, however, about its prospects against the yen. Although US officials have recently been more emollient in their approach towards Japan, Mr Hannah doubts whether this will persist if – as he predicts – the Japanese government fails to deliver on market access measures.

He said Japanese investors remained sceptical about the outlook for the dollar. They have a history of poorly performing foreign investments, mostly because of the strength of the yen. Mr Hannah said he could not foresee large Japanese capital flows abroad again "just because the dollar settles down for a few days."

In the UK a plethora of economic data, including inflation, unemployment and retail sales, will be published. The six "wise men", who offer advice to the Chancellor on the economy, will deliver their quarterly report, and the minutes of the April monetary policy meeting will be published.

The data are expected to confirm that the next move in UK rates will be up, which should support sterling.



Baring Securities emerging markets indices

Index	13/5/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (264)	147.67	0.57	0.39	-6.10	-3.97	-20.74	-12.31
Latin America							
Argentina (19)	105.90	-1.86	-1.73	-1.31	-1.22	-9.48	-8.22
Brazil (21)	123.99	3.95	3.29	-51.65	-29.41	-15.66	-11.21
Chile (12)	165.35	0.18	0.11	6.75	4.26	17.81	12.07
Mexico (24)	131.47	-1.11	-0.84	-2.06	-1.54	-29.79	-18.48
Latin America (76)	130.70	0.17	0.13	-13.63	-9.44	-18.55	-12.43
Europe							
Greece (14)	88.62	-4.00	-4.31	0.39	0.44	5.52	6.65
Portugal (14)	113.17	-4.84	-4.10	-13.72	-10.82	1.04	0.93
Turkey (22)	56.95	-2.77	-4.64	-16.03	-21.97	-104.76	-64.78
Europe (50)	93.09	-4.12	-4.24	-9.11	-8.91	-19.14	-17.05
Asia							
Indonesia (20)	143.91	2.28	1.61	5.28	3.81	-27.13	-15.86
Korea (23)	131.49	3.04	2.37	15.48	13.35	21.79	19.86
Malaysia (22)	212.63	5.23	2.52	2.29	1.09	-40.42	-15.97
Pakistan (10)	105.45	-7.57	-6.70	-11.73	-10.01	-6.24	-5.58
Philippines (11)	281.19	-6.75	-2.34	24.88	9.71	-41.28	-12.80
Thailand (22)	208.85	3.58	1.74	6.424	3.17	-54.71	-20.76
Taiwan (30)	152.10	0.53	0.35	15.49	11.34	-1.61	-1.05
Asia (138)	195.54	2.59	1.34	9.16	4.92	-25.88	-11.69

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 13, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2564.50	1702.55	1021.31	1625.41
Albania	(Lek)	165.00	109.971	65.9663	104.989
Algeria	(Dinar)	55.460	36.9634	22.1733	35.2888
Andorra	(Fr Fr)	8.5776	5.7168	3.4293	5.4578
	(Sp Peseta)	206.733	137.785	82.6535	131.543
Angola	(New Kwanza)	107246.0(d)	71478.3	42877.8	68240
Antigua	(E Carr $)	4.05	2.6992	1.6192	2.5769
Argentina	(Peso)	1.4988	0.9989	0.5992	0.9536
Aruba	(Florin)	2.6850	1.7895	1.0734	1.7084
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	14.85	9.8873	5.9371	9.4489
Germany	(D-Mark)	2.5012	1.667	1	1.5914
Ghana	(Cedi)	1383.00	921.754	552.985	879.985
Gibraltar	(Gib £)	1.00	0.6664	0.3998	0.6362
Greece	(Drachma)	370.887	247.192	148.284	235.983
Greenland	(Danish Krone)	9.7806	6.5187	3.9104	6.2234
Grenada	(E Carr $)	4.05	2.6992	1.6192	2.5769
Guadeloupe	(Local Fr)	8.5776	5.7168	3.4293	5.4578
Guam	(US $)	1.5004	1	0.5998	0.9548
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	45.6796	30.5783	18.3431	29.198
Panama	(Balboa)	1.5004	1	0.5998	0.9548
Papua New Guinea	(Kina)	1.4179	0.945	0.5668	0.9022
Paraguay	(Guarani)	2697.00	1797.52	1078.28	1716.09
Peru	(New Sol)	3.2788	2.1889	1.31	2.086
Philippines	(Peso)	40.6971	27.1241	16.271	25.8953
Pitcairn Is	(£ Sterling)	1.00	0.6664	0.3998	0.6362
	(NZ $)	2.5704	1.7131	1.0276	1.6355
Poland	(Zloty)	33840.4	22554.3	13529.7	21532.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD BOND MARKETS: This Week

NEW YORK — Martin Dickson

All eyes in the US fixed-income market will be on the Federal Reserve and the meeting of its Open Market Committee tomorrow, which is expected further to tighten monetary policy.

Wall Street is expecting an increase of 50 basis points in the discount rate, taking it from 3 to 3.5 per cent, and an increase of either 25 or 50 basis points in the Fed funds rate, taking it to 4 or 4.25 per cent.

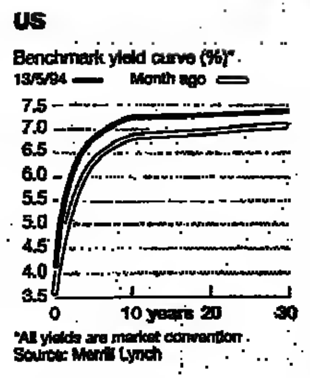
Positive inflation statistics late last week increased the possibility of a 25-point increase. The Labor Department reported on Friday that consumer prices rose just 0.1 per cent in April. This gave some support to the market, with the yield on the 30-year benchmark issue ending the day at 7.49 per cent, down from 7.56 on Thursday.

However, the Fed will be looking for signs of inflation months down the road, and in weighing its decision will have the advantage of April's industrial production statistics, due this morning. Output has risen for 10 months in succession and March saw a strong 0.5 per cent increase. The median forecast for April is a rise of 0.3 per cent.

Other figures which may affect the market include April housing starts, due on Tuesday and expected to show an annual rate of 1.45m; and the trade balance, out on Thursday, which is expected to narrow to $8.3bn in March from $9.7bn in February.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON — Peter Norman

A flood of economic statistics and comment this week will keep the gilts market on its toes. Mr Ian Shepherdson, UK economist at HSBC Greenwell, says: "Gilts could end the week three points up or three points down", depending on Wednesday's news of retail price inflation in April and average earnings in March.

A jump in average earnings growth to 3.75 per cent in the year to March from February's 3.5 per cent would be "dreadful", he says. A rise in April's retail price inflation, minus mortgage interest payments, to above 2.5 per cent from 2.4 per cent would be "disappointing".

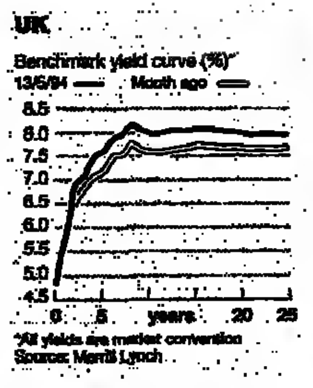
According to Mr Simon Briscoe, an economist at S. G. Warburg Securities, the background for gilts looks more favourable than for some time. Last week's UK trade figures reduced fears of a trade-induced sterling crisis and he expects less talk of leadership struggles in the Conservative party following last week's tragic death of Mr John Smith, the Labour leader.

Recent US news may also foster calmer conditions on global bond markets.

The Bank of England contributed to the better tone with Friday's announcement of its first convertible gilt since 1987. Details are due tomorrow. The Bank's apparent determination to resist a cut in base rates has also boosted hopes of steady and sustainable economic recovery.

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — David Waller

A combination of domestic and international factors will determine the course of the bund market during the next few days.

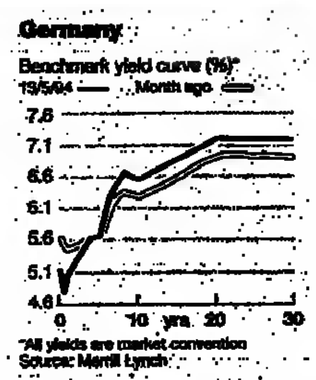
On the international front, any move by the US Federal Reserve to raise US interest rates will have a knock-on effect on the German market. Paradoxically, the sharper the expected increase in US rates, the better the immediate outlook for government securities in Germany – a decisive move from the Fed may eliminate the uncertainty which has induced the German market to follow the US downwards this year.

On the domestic front, the focus will be on this week's "repo" tender operations. Traders will be concerned to see how willing the Bundesbank is to follow the generous, half-percentage point reductions in the discount and Lombard rates last week with a substantial cut in money market rates.

Later in the week, the Bundesbank may release data on M3 money supply growth for April. It is too early for last week'a interest rate moves to have had any effect, but the data will be studied closely for signs that the "exceptional factors" which have bloated M3 growth this year are beginning to recede. The consensus is for seasonally adjusted, annualised growth of 14 per cent or less, after more than 15 per cent in the previous month.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

A fall in short-term interest rates to record lows and increased buying interest from institutional investors are expected to support Japanese bond prices this week.

Since the instability of US financial markets, caused by fears of rising US inflation, have also unnerved Japanese bond investors, they will be focusing on the US Federal Open Market Committee meeting and the Federal Reserve Board's stance on interest rates.

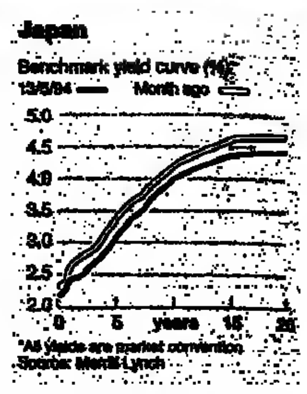
While the fluctuations of the currency markets and the US bond market continue to affect investor sentiment, Barclays de Zoete Wedd in Tokyo expects domestic institutional interest in short- and medium-term bonds to support the new issue market for four- and six-year government notes and bank debentures.

Market volume is a benchmark for the recovery in confidence towards the bond market. A rise in trading volume for the 10-year benchmark bond on the broker-broker market to above Y200m a day – a level not seen on a sustained basis since early March – will signal a return of investors, says BZW.

Meanwhile, the spate of corporate earnings announcements this week is expected to confirm the fragile state of the economy, and the deflationary effect of the yen's strength on profits of export-oriented companies.

Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / David Waller

Bundesbank takes a bet on its credibility

Last Wednesday's generous cuts in the German discount and Lombard short-term interest rates came after a long period in which rates had been allowed to fall only in a sequence of teasingly small steps.

"Prima!" ("Great!") was how Mr Norbert Walter of the Deutsche Bank greeted last week's cuts, which took the discount rate to 4.5 per cent and the Lombard rate to 6 per cent. Mr Martin Hüfner of the Bayerische Vereinsbank said the German central bank was taking full advantage of an ideal combination of circumstances.

The move was readily comprehensible against a favourable background of falling inflation (inflation is set to drop below 3 per cent early in the second half of the year) and a weak dollar. Many economists saw the move as a natural extension of the Bundesbank's intervention to support the US currency in the previous week.

For once, then, a cut was supported by both international and domestic policy considerations – a pleasant change, economists observed, from the state of affairs over recent years, when domestic policy considerations have run contrary to the wishes of other countries.

The interest rate cuts, which many expect to be the last before the Bundesbank policy-making council's summer break in 10 weeks, were not without elements of surprise and controversy.

The timing was unexpected – the consensus had been that the central bank would not move until its meeting in two weeks, when it would have had more data on inflation and money supply to support further easing.

More importantly, the reasoning behind the move was unusual, not to say revolutionary for the Bundesbank. The central bank said it was justified in the light of the improving outlook for inflation in Germany – so far, so conventional – but also that it would help dissolve the "monetary blockage" which led to the explosion in money supply growth in the early months of this year.

The statement thet a reduction in interest rates will contribute to a *reduction* in money supply growth stands tha Bundesbank's standard argumentation on its head: it has previously maintained that interest rates have to be kept high to prevent growth in M3, the broad measure of money supply on which the Bundesbank relies as a leading indicator for the development of future inflation.

The Bundesbank justifies this volte-face in reasoning by saying that under current circumstances a substantial reduction in interest rates will encourage investors to shift money out of short-term deposits into longer-term investment vehicles, such as bunds, which fall outside the definition of money.

The central bank believes this will reverse the flows of money which have led the explosion of M3 growth – M3 was up by a seasonally adjusted, annualised 15.4 per cent in March compared with the 4 to 6 per cent target range for 1994 – and cause the formation of capital instead.

This claim is highly controversial' and many economists believe the central bank is taking big risks.

"The Bundesbank is taking a major gamble on its credibility," said Mr Adolf Rosenstock of the Industrial Bank of Japan in Frankfurt. "A big bet on M3 slowdown", is how Mr Kermit Schoenholtz at Salomon Brothers International in London put it.

The risk is that M3 does not behava as the Bundesbank wants it to. "Then in a few months time, the Bundesbank will face an awful dilemma," observed Mr Joachim Fels at Goldman Sachs in Frankfurt. "It will realise the policy has failed and it will either have to abandon M3 altogether, or it will have to start raising rates to bring money supply back under control."

The danger that investors will continue to park their liquid assets at the short end of the yield curve is real. Bund yields, up more than a full percentage point from a low of 5.58 per cent in early January this year, failed to respond substantially last week.

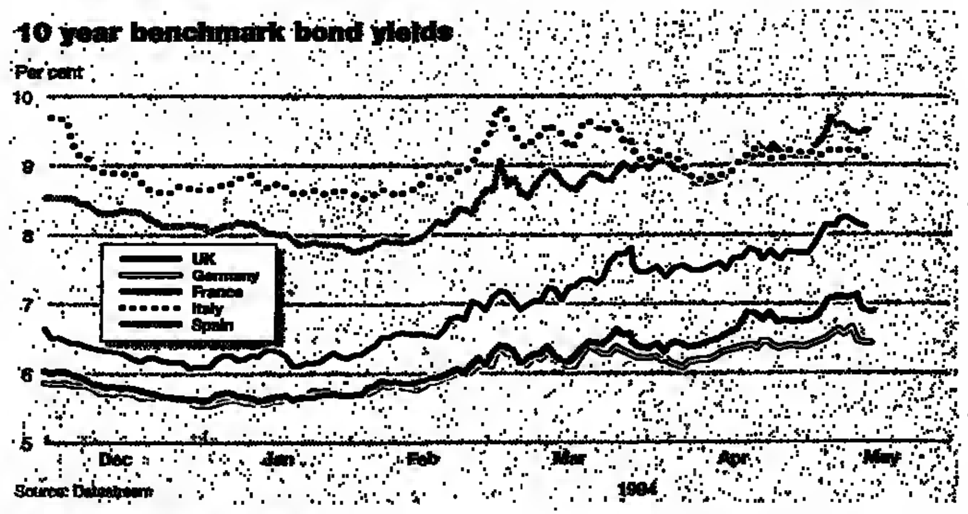
"The current yield of 6.6 per cent is not sufficient to compensate investors for the risk of holding long-term assets," said Mr Fels. "Given the volatility in the bund market over recent months, the Bundesbank can't expect to shock investors out of short deposits – the uncertainty factor is too high."

The pessimism is underscored by a shift in market expectations about interest rates. Futures markets now expect short-term rates to bottom out in September, rather than at the end of the year, and at a higher level than had been expected only months ago.

This reflects worries about the chances of a recovery in the German economy, stimnlated by a crop of recent data suggesting that the economy will avoid a "double-dip" recession. The more bnoyant the economy, the more likely it is that the Bundesbank will start raising interest rates again.

Ironically, the lower rates introdnced last week will stimulate the economy and make the Bundesbank's task trickier later in the year.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	4.50	6.75	7.00	5.25
Overnight	3.83	2.18	5.50	5.68	7.40	4.38
Three month	4.28	2.15	5.09	5.44	7.44	5.00
One year	5.41	2.40	4.88	5.40	7.89	5.76
Five year	6.90	3.19	5.81	6.32	8.93	7.68
Ten year	7.31	3.86	6.59	6.82	9.22	8.02

(1) France Intervention rate (2) UK Base rate. Source: Reuters

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	102-12	103-04	+0-25	103-15	102-00	537,963	422,[illegible]
Sep	101-18	102-06	+0-26	102-15	101-08	8,883	60,595
Dec	101-09	101-19	+0-25	101-27	100-18	436	33,958

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts* (Lives up to Five Years)							
Treas. 10pc Ln. 1994‡‡		100 xd	—	1,900	Je9 De9	3.5	1284
Exch 12¾pc 1994		102	-.1	1,340	Fe22 Au22	17.1	1263
Treas 9pc 1994‡‡		101 xd	—	1,900	My17 Nv17	11.4	1345
12pc 1995		104⅞	-.1	2,360	Ja25 Jy25	20.12	1294
Exch 3pc Gas 90-95		98	—	214	My1 Nv1	25.3	1271
10¼pc 1995		105	—	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		109	—	840	My15 Nv15	8.4	1298
14pc 1996		112¼	0.1	770	Ja22 Jy22	18.12	1305
15¼pc 1996‡‡		115	0.2	1,150	My3 Nv3	28.3	1309
Exch 13¼pc 1996‡‡		112	0.2	800	My15 Mr15	8.4	1268
Conversion 10pc 1996		109	0.4	3,409	My15 Nv15	8.4	1240
Treas 13¼pc 1997‡‡		114¾	0.3	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997		108	0.5	3,700	Fe21 Au21	17.1	1253
Treas 8¾pc 1997‡‡		104	0.6	5,550	Mr1 Se1	24.1	1341
Exch 15pc 1997		122	0.6	830	Ap27 Oc27	21.3	1289
9¾pc 1998		106	0.7	3,550	Ja16 Jy16	13.12	1273
Treas 7¼pc 1998‡‡		99	0.8	7,850	Mr30 Se30	21.2	-
Treas 6¾pc 1995-98‡‡		97	0.6	1,200	My1 Mr1	25.3	1331
14pc '96-1		120 xd	0.6	970	My22 Nv22	15.4	1306
Treas 15½pc '98‡‡		128	0.9	935	Mr30 Se30	21.2	1308
Exch 12pc 1998		115 xd	0.7	3,908	My20 Nv20	13.4	1259
Treas 9½pc 1999‡‡		108	0.8	1,900	Ja15 Jy15	8.12	1347
Five to Fifteen Years							
Exch 12¼pc 1999		116⅞	0.8	3,050	Mr26 Se26	17.2	1284
Treas 10½pc 1999		110½xd	0.7	1,252	My19 Nv10	12.4	1288
Treas 6pc 1999‡‡		92	1.0	5,900	Fe10 Au10	22.4	-
Conversion 10¼pc 1999		109⅞xd	0.6	1,798	My22 Nv22	18.4	1242
Treas Flg Rate '99		99 xd	—	0	-	3.5	-
9pc 2000‡‡		104	0.7	5,358	Mr3 Se3	25.1	1244
Treas 13pc 2000		122⅞	0.6	3,171	Ja14 Jy14	6.12	1298
10pc 2001		109	0.6	4,406	Fe26 Au26	20.1	1280
7pc '01‡‡		94	0.9	3,250	My6 Nv6	30.3	-
7pc '01 A		94	0.9	2,500	My6 Nv6	-	-
9¾pc 2002		108	1.1	6,527	Fe27 Au27	21.1	1349
8pc 2003‡‡		99 xd	1.3	7,600	Ja10 De10	4.5	-
10pc 2003		111	1.2	2,503	Mr8 Se8	31.1	1281
Treas 11½pc 2001-4		115	0.8	1,620	Mr19 Se19	10.2	1290
Funding 3½pc '99-4		74	0.8	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		109	1.4	3,412	Ap25 Oc25	21.3	1246
Treas 6¾pc 2004‡‡		90 xd	1.3	6,250	My26 Nv26	19.4	-
Conv 9½pc 2005		109	1.4	4,842	Ap19 Oc18	14.3	1247
Treas 12½pc 2003-5		125¾xd	1.1	2,200	My21 Nv21	14.4	1285
7¾pc 2006‡‡		97	1.2	3,900	Mr8 Se8	31.1	-
8pc 2002-6‡‡		98⅞	1.0	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7		119⅞	1.1	3,150	Ja22 Jy22	16.12	1283
Treas 8½pc 2007‡‡		102	0.9	5,497	Ja16 Jy16	10.12	1338
13½pc '04-8		132	1.1	1,260	Mr26 Se26	17.2	1301
Treas 9pc 2008‡‡		107	1.2	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years							
Treas 8pc 2009		98	0.9	3,100	Mr25 Se25	15.2	1306
Treas 6 1/4pc 2010		83 xd	1.5	2,750	-	18.4	-
Conv 9pc Ln 2011‡‡		107	1.3	4,273	Ja12 Jy12	6.12	1245
Treas 9pc 2012‡‡		108	1.3	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡		76	1.4	1,000	Mr10 Se10	1.2	1330
Treas 8pc 2013‡‡		99	1.5	4,950	Mr27 Se27	16.2	-
7¾pc 2012-15‡‡		96	1.2	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡		106⅞	1.6	6,950	Fe25 Au25	18.1	1982
Exch 12pc '13-'17		135⅞xd	1.4	1,000	Ja12 De12	6.5	1260
Undated							
Consols 4pc		47⅞	0.5	359	Fe1 Au1	29.12	1239
War Loan 3½pc‡‡		42⅞xd	1.0	1,909	Ja1 De1	25.4	1352
Conv 3½pc '61 Aft.		58	0.9	110	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft.		35	1.1	56	Ap5 Oc5	1.3	1324
Consols 2½pc		30⅛	0.6	275	5JaApJyOc	1.3	1236
Treas. 2½pc		29⅝	0.9	475	Ap1 Oc1	21.2	1315
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	137⅞	-.1	800	My16 Nv16	11.4	5070
2pc '96	(67.9)	198½	0.1	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡	(135.6)	106⅝	0.2	800	Ap27 Oc27	21.3	-
2½pc '01	(78.3)	166¼	—	1,500	Mr24 Se24	15.2	1316
2½pc '03	(78.8)	163xd	-.2	1,050	My20 Nv20	13.4	1317
4⅜pc '04‡‡	(135.6)	110¾	0.6	850	Ap21 Oc21	22.4	-
2pc '06	(69.5)	170¾	-.1	1,550	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	154⅞xd	-.1	1,550	My20 Nv20	13.4	1318
2½pc '11	(74.6)	160	-.2	1,950	Fe23 Au23	17.1	1316
2½pc '13	(89.2)	131¾	-.1	2,300	Fe16 Au16	16.1	1320
2½pc '16	(81.6)	140½	-.1	2,400	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	134⅞	-.1	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡	(97.7)	112	-.2	2,000	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡	(135.1)	111¾	-.1	1,200	Ja16 Jy22	16.12	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1993: 141.3 and for March 1994: 142.5.

Other Fixed Interest

	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	121	-2.2	50	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009	114	-1.1	100	Mr24 Se24	3'93	-
B'ham 11½pc 2012	121¾	-1.9	45	My15 Nv10	4'93	1887
Ireland Cap 8½pc '10	101¾	-.2	303	Ap1 Oc1	-	1465
9pc Cap 1996	101¼	1.0	725	Ja30 Jy30	-	-
15pc '97-2	111¼	0.5	215	Ap1 Oc1	26.8	1428
Hydro Quebec 15pc 2011	140	-.9	40	My31 Nv30	27.10	-
Leeds 13½pc 2006	121	-2.1	40	Ap1 Oc1	3'93	3146
Liverpool 3½pc Irred.	38	1.3	5	1JaApJyOc	1.8	-
LCC 5pc '20 Aft.	35	2.9	26	1JaJoSeDe	1.8	-
Manchester 11½pc 2007	110	-2.3	0	Ap25 Oc25	3'93	3279
Met. Wtr. 3pc 'B'	68⅞	-1.0	25	Mr1 Se1	1.8	3361
N'wide Anglia 3¾pc 2021	136¾	-.9	60	Ja30 Jy30	1'93	3463
4⅛pc IL 2024	130¼	-1.3	50	-	20.7	-
Utd Mex States 16½pc 2008	142	-1.0	50	Mr1 Se1	27.8	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Sara Webb

Dutch win back state debt trade

The Amsterdam Stock Exchange is claiming a victory on its home turf. After years of witnessing the steady seepage of trading business in Dutch government bonds to London, the Amsterdam exchange now claims the tide is turning and thet the proportion of trading in Dutch state debt conducted overseas is gradually declining, due to the introduction of a new inter-dealer-broker (IDB) system in Amsterdam.

The Dutch central bank, which has been monitoring the relative level of trading of Dutch government bonds both in Amsterdam and in London, announced earlier this month that the proportion of business carried out in London has fallen from 50 per cent during 1992, to around 30 per cent this year.

London had seen as much as 60 per cent of the trading activity in Dutch government bonds back in 1989, and the Amsterdam exchange was clearly concerned about the flow of business overseas. In its efforts to claw back trading volume, it asked McKinsey & Co to study the problem and make recommendations as to how the exchange should develop in order to become more competitive.

McKinsey made its report in late 1992 and noted that the competitive position of the Amsterdam stock exchange in both equities and bonds had deteriorated in the late 1980s, adding "quantitative comparisons and interviews point to three major causes for the recorded loss of market share.

"First, foreign investor trading in Dutch securities has grown strongly. Second, competition from foreign intermediaries has increased. And third, the performance of the Amsterdam Stock Exchange has lagged behind that of London's securities market."

Foreigners have been keen investors in Dutch government paper in recent years for several reasons.

The Dutch currency is very tightly pegged to the D-Mark, and Dutch monetary policy has followed that of the Bundesbank very closely.

Furthermore, the Dutch inflation picture was far less of a worry than in Germany, so when "convergence" was the buzzword of the European government bond markets, investors simply regarded Dutch government bonds as "bund surrogates" with the result thet Dutch yields have tended to trade very close to, or even lower than those on German bonds.

The Agency of the Ministry of Finance, which sells new issues of Dutch government paper, has steadily tried to increase the appeal of Dutch bonds to international investors.

Mr Henk Bevers, the agent, stresses that the key change has been to improve the liquidity of the individual bond issues.

Amsterdam Stock Exchange: claims the tide is turning

"Foreign investors said that liquidity was very important, so we have been trying to boost that," he says, adding that while the Agency of the Ministry of Finance used to hold about 10 tap issues a year of around Fl 2bn to Fl 3bn each, "now we have four or five issues a year but of greater size".

The Agency has also opted for a wider array of maturities – issuing a 30-year stock at the end of 1992 which had considerable appeal for both domestic and international institutional investors. Such long-dated issues are a common in the French and US bond markets.

"The market was very appreciative when we did our 30-year issue," said Mr Bevers. The decision by the Dutch to launch a 30-year bond may well have provided some of the inspiration for Germany, which followed with its own 30-year bund a few months later.

However, while ownership of Dutch bonds by foreigners steadily increased from 19 per cent in 1988 to 24 per cent in 1993, the Dutch anthorities were far less thrilled at the clear signs of trading activity disappearing to London.

To counter this flow of business, the Amsterdam Stock Exchange encouraged the establishment of an inter-dealer-broker in Amsterdam last year, whereby banks and brokers could inform the IDB of their bid and offer prices. The IDB then advertises the prices on its screen system while ensuring the anonymity of the prospective buyers and sellers.

In October last year, foreign broking houses which did not have offices in Amsterdam were invited to take up "special membership" of the Amsterdam Treasury bond market so that they could buy and sell via the IDB without having to set up offices in Amsterdam.

Already, the Dutch authorities are claiming the structural changes have proved a success as trading activity is gradually enticed back to their home territory.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
LB Schleswig-Holstein Lux.	200	Jun.1996	6.375	99.89R	6.435	+20 (5½%-96)	Lehman Brothers Intl.
Tokyo Sekisui Co.‡★	50	May.1998	(f)	100.00	-	-	Fuji Intl. Finance
Kingdom of Sweden(m)	500	Dec.1995	5.50	99.20	6.040	-	JP Morgan Securities
Merrill Lynch & Co.‡	250	May.1999	(n)	99.90R	-	-	Merrill Lynch Intl.
Falcon 94, Tranche A‡	105.5	May.1999	(o)	99.89R	-	-	Morgan Stanley Intl.
Falcon 94, Tranche B‡	55.5	May.2001	(p)	99.79R	-	-	Morgan Stanley Intl.
Daewoo Hong Kong‡	75	Jun.1997	(q)	100.00	-	-	Korea First Inv. Bank
Sanwa Australia Finance(w)	65	May.2004	(w1)	100.00	-	-	Sanwa International
D-MARKS							
Sth.Aust.Govt.Fin.Authority‡	350	Jun.1996	(g)	100.00R	-	-	Sanwa/ SBC(Deutsch.)
Deutsche Ausgleichsbank‡	400	Jun.1999	(g)	100.00	-	-	Trinkaus & Burkhardt
YEN							
Toyota Motor Credit Corp.(a)	50bn	Sep.1997	3.30	99.8675R	-	-	Merrill Lynch Intl.
De Nationale Investeringsbank	15bn	Jun.1998	3.65	100.00R	3.650	-	IBJ International
Urban Mort.Bank of Sweden	10bn	May.1996	3.10	100.00R	3.100	-	Nomura International
Sony Capital Corp.(b)	10bn	Aug.1997	(b1)§	100.00	-	-	IBJ International
Heller Finance(a)	15bn	Aug.1997	3.80	99.90R	-	-	Merrill Lynch Intl.
KfW International Finance	10bn	May.1999	3.65§	100R	3.650	-	Daiwa Eur.Mitsui Tst.
Baden Württ'berg L-Finance	50bn	Jun.1999	3.75	99.85R	3.783	-	M.Lynch/Mitsubishi Fin.
Ex-Im Bank of Japan(a,c)	30bn	Oct.2003	4.375	101.75R	4.147	+11.7(No.157)	Nomura International
Crédit Local de France(s)	30bn	Jan.1999	3.75	100.00R	-	-	Norinchukin Intl.
Republic of Ireland	20bn	Jan.2004	4.25	100.00R	4.250	-	Bank of Tokyo Cp.Mkt.
Merrill Lynch & Co.(a)	15bn	Sep.1999	4.25	100.30R	-	-	Merrill Lynch Intl.
Urban Mort.Bank of Sweden	15bn	Jun.1996	2.90	100.20	-	-	Merrill Lynch Intl.
SBAB(a)	10bn	Jan.1997	3.00	100.25R	-	-	Nikko Europe
STERLING							
Foreign(e)‡	100	Jun.1999	(e1)	undisd.	-	-	Merrill Lynch Intl.
Lloyds Bank, Tranche A(h)‡	300	Jun.2003	(d,l)	99.69R	-	-	GS/Salomon/Warburg
Lloyds Bank, Tranche B	100	Jun.2009	9.50	99.044R	9.623	+110 (9%-08)	GS/Salomon/Warburg
Deutsche Bank Fin.Curacao(l)	100	Dec.1998	7.25	undisd.	-	-	Deutsche Bank London
Cheltenham & Gloucester(y)	200	Aug.1996	(z)	99.96R	-	-	Kleinwort/ NatWest
FRENCH FRANCS							
Crédit Local de France(s)	1bn	Oct.2003	7.25	99.59R	-	+21 (6¾%-03)	CDC/ UBS France
Govt. Asset-Bkd Secs. Lux.(a)	1bn	Sep.2002	7.625	99.850R	-	-	UBS France
Unilever	1.5bn	Jun.2004	7.125	99.201R	7.240	+20 (5½%-04)	BNP/ SBS France
Compagnie Bancaire(d)	1bn	Dec.1995	5.75	99.94R	5.710	-	CCF
CANADIAN DOLLARS							
Banque Nationale de Paris	100	Jun.1997	9.50	99.94R	8.523	+40 (6½%-96)	Deka Europe
KfW International Finance(a)	150	Dec.1999	9.50	100.00R	8.519	+20 (5¾%-99)	ABN Amro Bank
GUILDERS							
ABN Amro Bank	500	May.2001	6.75	99.10R	6.916	+35 (i)	ABN Amro Bank
ITALIAN LIRE							
ABB International Finance(c)	150bn	Jun.2004	9.625	100.52	-	-	Cariplo
European Inv'ment Bank(a)	300bn	Jun.2004	9.125	100.50	-	-	Banca di Roma
SNCF(t)	150bn	Jun.2006	9.20	100.70	-	-	Credito Italiano
Santander International	130bn	Jun.1999	8.625	100.20	8.574	-	Banca di Roma
SWISS FRANCS							
Crédit Local de France	100	Jun.1999	4.75	102.25	4.241	-	Merrill Lynch Cap.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ◊With equity warrants. ★Unlisted or private placement. #Semi-annual coupon and yield. R: fixed re-offer price. a) Short 1st coupon. b) Callable on 18.8.95 at par. b1) 3.05% to 18.8.95 and 3.85% thereafter. c) Callable on 10.8.96 and annually thereafter at par. d) Long 1st coupon. e) Issue launched 4.5.94 was increased to £100m. e1) 3-mth Libor +0.05%. f) 6-mth Libor +0.275%. g) 3-mth Libor flat. h) Callable on 2.8.99 at par. i) 3-mth Libor +⅛% to Jun.1999 and +1% thereafter. j) Fungible with £300m. l) Over interpolated yield. m) Fungible with $2bn. Plus 175 days accrued. n) 3-mth Libor +⅛%. o) 6-mth Libor +0.3%. p) 6-mth Libor +0.7%. q) Fungible with Y75bn. s) Callable on 15.6.99 at par. t) Callable on 22.6.98 and annually thereafter at par. u) 6-mth Libor +½%. w) Callable on 26/5/96 at par. w1) 6-mth Libor +0.4% to 26/5/96 and 6¾% fixed annual thereafter. x) Short 1st & 2nd coupons. y) Callable on coupon dates from Aug.95 at par. z) 3-mth Libor +6bp to Aug.95 and +15bp thereafter. Note: Yields are calculated on ISMA basis.

LEGAL NOTICES

In the High Court of Justice
Chancery Division
No: 002762 of 1994
IN THE MATTER OF
CLARKE, NICKOLLS & COOMBS PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd of May 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above named Company from £27,418,570.40 to £22,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice Strand, London WC2A 2LL on Wednesday the 25th day of May 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 16th day of May 1994
Lovell White Durrant
65 Holborn Viaduct
London
EC1A 2DY
Ref: A4/CDG
Solicitors for the above named Company

No. 001877 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF AIRTOURS PLC
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

Notice is hereby given that the order of the High Court of Justice (Chancery Division) dated 4th May 1994 confirming the cancellation of the share premium account of the Company was registered by the Registrar of Companies on 6th May 1994.

Dated this 16th day of May 1994
Addleshaw Sons & Latham
Dennis House
Marsden Street
Manchester
M2 1JD
(Ref: RNFL/JXC)
Solicitors to the Company

EQUITY MARKETS: This Week

NEW YORK
Patrick Harverson

Inflation alarm bell likely to stop ringing

In recent weeks, long-term US interest rates have been climbing rapidly amid growing concerns about resurgent inflation – concerns which have spread to the stock market, where prices have struggled to make any headway in spite of mostly bullish news on the economy.

This week, the stock market will be able to judge for itself whether inflation is on the rise again, and some good news should allow stocks to shake off their inflation fears.

Tomorrow, the February producer prices index is released and a day later, the consumer prices index is published. Although analysts expect the two indices to show slightly stronger growth than in January (the brokerage house Donaldson, Lufkin & Jenrette forecasts that both the PPI and CPI rose by 0.4 per cent last month), the inflation alarm bell is likely to stop ringing.

If analysts' forecasts prove correct, the annual consumer inflation rate – the most closely-watched of the two indicators – will measure close to 2.4 per cent. That is a full point below the comparable rate recorded at the same stage of the year in 1993, a remarkable reduction considering the economy has been growing at a significantly faster pace over the past two months than in the same eight weeks a year ago.

A hint of how markets are likely to respond to favourable inflation reports came last Friday, when after a poor start, shares rose steadily on the back of declining bond yields. Stocks firmed partly because investors turned more optimistic about this week's inflation data.

But even if the inflation picture brightens, political problems that have unsettled investors in recent days are unlikely to fade especially quickly. While most of Wall Street was in agreement by the end of last week that the fuss the bond market, and later the stock market, made over the rumours swirling around the Whitewater affair was overdone, the White House is unlikely to emerge from under the clouds of the "scandal" particularly soon.

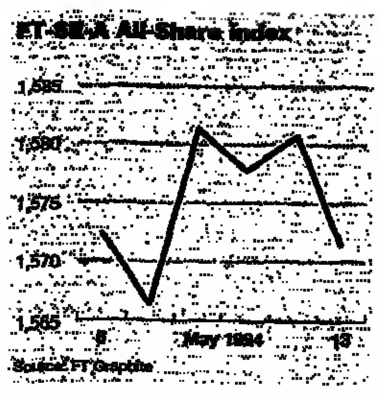
As long as the perception holds that President Clinton is politically hampered by the growing inquiry into Whitewater, and by press reports of a possible cover-up, then it is of concern to investors.

Why is not easy to answer, but it is often said that if the President gets into deeper trouble, so does his political agenda, which includes such market-sensitive programmes as healthcare and welfare reform. If Mr Clinton's position weakens because of the Whitewater affair, then the dollar will probably also weaken. And a weaker dollar means imports are more expensive, which puts up the rate of inflation.

Politics aside, the stock market's immediate future depends greatly on what happens to long-term interest rates. While the 30-year yield may edge a bit higher, bond investors may soon realise that the correction in the Treasury market has gone far enough. This would give the stock market some much-needed breathing room, and allow investors to digest the events of the past few weeks in a more considered fashion.

LONDON
Terry Byland

Bond market stability the key to growth



Stock-market analysts are sounding increasingly frustrated as they watch the FT-SE 100 Share Index sitting on the 3,100 fence, unable to disentangle itself from the bond markets but unwilling to give any further ground.

Most still take a bullish view on the market, but few can make a case for any dramatic move in the near term. S. G. Warburg bases its case on a shift of interest towards earnings estimates for 1996, admitting that "a dull summer" may, meanwhile, be in prospect.

There is considerable institutional support whenever the Footsie Index dips into the 3,100 area, mostly showing itself in the stock index futures market. But the stock market remains unable to decouple from the bond markets.

Kleinwort Benson points out that, with equities yielding a prospective 4.2 per cent, cash ought to be burning in fund managers' pockets. "Bond market stability would release it into the equity market," it adds.

This week may bring some movement on this front. It was clear on Thursday, when London had the European field to itself, that UK bonds are still moving in step with US Treasuries and waiting for the Federal Reserve to tighten policy again.

However, some analysts argue thet more determined action from the Fed would stabilise bond markets, and give UK equities the environment they need to respond more strongly to the improvement in economic and corporate news.

Unfortunately, developments on Friday afternoon suggested thet the UK markets now reckon the Fed may not act as strongly as they once feared.

Setting aside the overall economic background, there are signs that attitudes towards some sectors are changing. BZW believes pricing sensitivity may be beginning to present a challenge to the bull run in manufacturing stocks. Its answer to this is to recommend focusing on manufacturers displaying superior pricing power and with exposure to Europe, a favourite BZW theme.

The UK engineering and vehicles sector offers the highest (40 per cent) exposure to Europe on the manufacturing sector, according to BZW. Close behind is the printing and packaging sector, with 36 per cent exposure, and building materials and merchants, with 31 per cent.

The same argument is applied by BZW to close its bearish stance on the domestic consumer service sectors. Pressures on pricing and profit margins have depressed these sectors, particularly food. But Sainsbury sounded more positive on gross margins last week, and BZW links its own more favourable views on sector margins to its faith in European exposure.

On the consumer and services side, European exposure is less marked. Brewing has only a 4 per cent exposure, although the addition of spirits, wine and cider interests takes that figure to around 23 per cent. Pharmaceuticals have 27 per cent exposure but these stocks have yet to recapture investor confidence.

OTHER MARKETS

STOCKHOLM

Astra's first-quarter figures come out tomorrow. Analysts are looking for sales of SKr6bn, a rise of some 20 per cent, with sales of Losec up 30 per cent to almost SKr2bn, and Pulmicort sales up 35 per cent to SKr870m. Hoare Govett says pre-tax profit in the first quarter of 1993 was very positively affected by a large translational benefit. "Consequently, although operating profit is expected to increase by more than 35 per cent, on a comparable basis, pre-tax profit is only expected to increase by 15 per cent to SKr2bn. For all 1994, sales are expected to reach SKr27.2bn, with pre-tax profit of SKr9.45bn and earnings per share of SKr11.4."

MADRID

Telefónica's first-quarter figures are due out today. UBS global research says that while quarter-on-quarter results are particularly difficult to forecast, they expect a 4.7 per cent rise to Pta14.7bn in net income for the parent company. "A better measure of performance may be cash earnings: we are forecasting first-quarter cash earnings of Pta118.7bn, up 9.2 per cent."

AMSTERDAM

KNP BT, the paper and graphic supplies group, announces first-quarter results on Wednesday. The group has already reported at its recent annual meeting net profits of around Fl 50m, compared with a loss in the same period last year. Hoare Govett notes that the recovery is broadly based, "with all divisions showing better results. Demand volumes, as well as prices for paper and packaging products, have recovered from low 1993 levels and sales volumes in the trading divisions (paper merchanting/office products and graphic information systems) are also expected to show improvements this year. Restructuring programmes will improve results in all divisions. Our current earnings per estimates are: 1994, Fl 1.60 and 1993, Fl 4.20."

TOKYO

Share fluctuations this week will be affected by the currency movements and the strength on US stock and bond markets. Hopes of a US credit tightening helped the dollar against the yen last week, and further stabilisation of the currency markets, which will largely depend on US interest rates, is expected to encourage investors. Meanwhile, many investors are likely to remain inactive due to the spate of corporate results, which may cause some volatility.

RISK AND REWARD

Debate over need for European clearing system

The official opening of the Channel Tunnel earlier this month has finally linked the UK with the rest of Europe. Although much slower and far more expensive to build than most people had ever imagined, this engineering feat shows that the hurdles which stand in the way of European integration can be overcome.

So it seems absurd that in the fast-growing and high-tech world of derivatives, there are no links between Europe's futures and options exchanges, even though an electronic trading and clearing system could be set up at a fraction of the cost and the time needed to complete the Channel Tunnel.

At the moment, institutions which deal on Liffe in London, the Matif in Paris, the DTB in Frankfurt and the other exchanges from Spain to Austria have to put up margins and pay membership and dealing costs at each exchange.

This is an inefficient use of capital, since their risk profile is often lower than the margin they have put up because a position on one exchange might be offset by another elsewhere. "The consolidation of the clearing mechanism would be beneficial to users," says Mr Graham Newall, chief executive of BZW Futures.

The DTB and the Matif are in the process of linking their trading systems. By October, Matif members will be given direct access to selected DTB products through the installation of screens in France. The next stage would involve listing two Matif products on the DTB. This alliance aims to make the two exchanges more international, increase liquidity and reduce costs.

However, the link will be limited to trading since issues such as jurisdiction and currency risk hinder the linking of the two clearing systems. Mr Willi Brandt, spokesman for the DTB, says the DTB products will be cleared through a DTB clearing member and the Matif products through a Matif clearing member.

According to Mr Gilbert Durieux, chief operating officer at the Matif, the final aim is to have a centralised clearing system which he says would be easy to design. "Having said that, we are not in the US but in the European Union, which means there is no single currency and no single central bank," he says.

As a result, the formation of a centralised clearing system is being hampered by important legal questions such as who would be the lender of the last resort.

Even proposals such as "mutual offset" between the two exchanges (whereby members would be able to offset their positions in contracts with similar maturities) would run contrary to the principle of a clearing system, which requires it to be balanced at the end of each trading day.

Mr Durieux adds thet it is by no means certain that exchange members want a centralised clearing system, since this could eat into income they derive from providing clearing services to their customers.

In the near term, the DTB and the Matif hope thet the co-operation will attract business away from Liffe, where the lion's share of trading in bund futures and options takes place. By contrast, Mr Daniel Hodson, Liffe's chief executive, does not feel the need to forge any strategic alliances. "We are essentially an international exchange whereas the DTB and the Matif are domestic exchanges," he says.

Liffe may be riding high at the moment – on 12 days in the last quarter it exchanged more contracts than any other exchange in the world. But observers say if it does not look after its non-sterling products, Liffe could see business drift away. "The DTB and Matif could really take Liffe on if they are clever about clearing," says one banker.

Antonia Sharpe

INDICES AT A GLANCE

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 13 / Sch)

BELGIUM/LUXEMBOURG (May 11 / Frs.)

DENMARK (May 13 / Kr)

FINLAND (May 13 / Mks)

FRANCE (May 13 / Frs.)

GERMANY (May 13 / Dm.)

ITALY (May 13 / Lire)

NETHERLANDS (May 13 / Fls.)

NORWAY (May 13 / Kroner)

SPAIN (May 13 / Pts.)

SWEDEN (May 13 / Kronor)

SWITZERLAND (May 13 / Frs.)

PACIFIC

JAPAN (May 13 / Yen)

AUSTRALIA (May 13 / Aust$)

HONG KONG (May 13 / H.K.$)

MALAYSIA (May 13 / MYR)

SINGAPORE (May 13 / S$)

NORTH AMERICA

CANADA

TORONTO (May 13 / Can $)

4 pm close

MONTREAL (May 13 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (May 13 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO – MOST ACTIVE STOCKS: Friday, May 13, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	11.9m	995	+13	Brother Inds	5.4m	694	+4
NEC	9.1m	1180	+10	NKK Corp	5.0m	288	+2
Sanyo Elec	6.3m	513	-1	Toshiba	5.0m	791	+11
Mazda Motor	6.0m	586	+12	Marubeni	4.7m	540	+2
Fujitsu	5.9m	1060	+20	M'bishi Elec	4.7m	633	-2

INDICES

Italy						
Banca Comm Ital (1972)	808.85	803.02	010.07	917.17 10/5	588.86 10/1
MIB General (4/1/94)	1305.0	1296.0	1307.0	1318.00 10/5	944.00 10/1
Japan					
Nikkei 225 (16/5/49)	20270.78	20224.24	20150.13	20677.77 16/3	17369.74 4/1
Nikkei 300 (1/10/82)	300.75	301.00	299.59	304.26 1/3	268.22 4/1
Topix (4/1/68)	1643.20	1644.56	1635.04	1663.27 16/3	1445.97 4/1
2nd Section (4/1/68)	2324.91	2321.60	2308.20	2324.91 13/5	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	1004.55	996.92	1006.67	1314.46 5/1	828.33 4/4

** Sat May 7 : Taiwan Weighted Price 5981.73; Korea Comp Ex 936.41. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index May 13 - 2257.33 +6.31

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	2185.0	2181.0	+13.5	2210.0	2184.0	17,631	23,971
Jun	2166.5	2174.0	+13.5	2189.0	2166.5	986	31,468
Jul	2184.0	2171.5	+13.5	2184.0	2184.0	1	360

Open interest figures for previous day.

US INDICES

Dow Jones	May 13	May 12	May 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3659.68	3652.84	3629.04	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.43	96.58	96.46	105.61 (21/1)	95.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1567.72	1573.39	1567.65	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.28	177.76	178.55	227.80 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3690.32 (3662.56) Low 3626.37 (3652.84) (Theoretical♣)
Day's high 3664.74 (3663.84) Low 3637.37 (3629.04) (Actual♣)

Standard and Poors	May 13	May 12	May 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	444.15	443.75	441.49	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	516.62	519.61	516.31	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	43.51	43.33	43.39	46.58 (31/1)	41.39 (4/4)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	245.76	245.55	244.51	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt. Val	432.57	433.35	433.17	487.89 (2/2)	427.50 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	716.91	719.61	717.0	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	May 6	Apr 29	Apr 22	Year ago
Dow Jones Ind. Div. Yield	2.77	2.76	2.79	3.04
	May 11	May 4	Apr 27	Year ago
S & P Ind. Div. yield	2.54	2.48	2.48	2.52
S & P Ind. P/E ratio	23.52	23.99	23.94	26.25

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	443.30	444.15	+1.05	447.15	440.60	66,013	197,497
Sep	446.65	446.50	+1.05	447.25	443.20	2,448	15,796
Dec	446.60	449.55	+0.95	450.30	446.10	191	7,222

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Citicorp	4,780,700	38¼	–
EMC	4,457,800	15⅝	+1¼
Philip Morris	3,696,700	52⅛	+1⅛
Telefonos	3,492,500	56	–
SW Airline	2,955,100	25⅞	-1⅞
Motorola	2,543,800	44½	-⅛
AMR	2,487,800	53⅝	-2⅝
Countrywide	2,424,400	16⅝	+2¼
Micron	2,267,700	32⅝	-⅛
Du Pont	2,231,800	59⅝	+⅛

TRADING ACTIVITY

● Volume (million)	May 13	May 12	May 11
New York SE	252.048	272.770	277.399
Amex	13.886	15.194	18.465
NASDAQ	(u)	270.705	312.284
NYSE			
Issues Traded	2,783	2,825	2,016
Rises	1,029	1,185	861
Falls	1,077	980	1,546
Unchanged	677	660	609
New Highs	19	27	24
New Lows	119	142	198

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

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[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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	Bid Price	Offer Price	Yield Gross	City-Line
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Am Gwth Fd	$7.4987	7.9349	–	45562
Offshore Emerging Cos	$1.3000	[illegible]	–	45563
Offshore Far Eastern Fd	$4.6832	4.9554	–	45566
Offshore Intl Gwth Fd	$5.2122	5.5201	–	45561
Offshore Japanese Gro Fd	$1.4461	1.5368	–	47050
Offshore UK Growth Fd	$2.0484	2.8158	–	45565
Offshore Asia Smaller Mkts	$1.6934	1.6815	–	49180
Offshore European Fd	$2.1445	2.2790	–	45564
Offshore Global Bond	$0.9606	1.0207	–	49196
Offshore Global Bond Acc	$1.0085	1.0300	–	49197
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV May 0		36.51	–	47405
Royal Bank of Canada Intl Fd Mgt Ltd				
Sterling Fxd Int (a)†	95.03	96.04	7.18	45738
International Bond †	$1.098	1.152	6.21	45740
†Prices on May 11 Next dealing May 18				
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	$19.73	20.02	1.57	45838
Lowest Defensive Pfolio	212.76	13.43	–	41683
For Royal Trust see Royal Bank of Canada				
Schroder Mngt Services (Jersey) Ltd				
Greece Fd Ltd May 11	$20.11	21.52	–	49890
Schroder Money Funds Ltd				
Sterling		£30.0107	3.78	45783
US $		$50.0440	2.47	45784
D-Mark		DM50.7030	4.40	45785
Swiss Franc		SF51.3638	2.85	45786
Yen		Y5280.53	1.03	45787
Scrimgeour Kemp-Gee Mngmt., Jersey				
SKG Capital Fund	95.836	9.322	–	45791
SKG Income Fund	10.837	0.912	5.1730	45792
TSB Trust Funds (CI)				
TSB Jsy Equity Fd	55.4	58.5	1.85	45830
TSB G'sey Equity Fd	55.4	58.2	1.85	45831
TSB Island Pension	651.8	695.2		45832
TSB Gilt Fd (Jsy) Ltd	102.43	105.0540	7.58	45835
Warburg Asset Management Jersey Ltd				
Energy Int	$130.92	137.46	–	45833

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Fidelity Funds (u)						
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174						
UK-0732 777377 Lux-010 352 250404						
Major Market Funds						
America	$-		1.582		–	41694
Europe	DM-		3.009		–	41692
International			13.02			41703
Japan			185.3		0.01	41694
Pacific			10.27		0.02	41693
South East Asia			2.230		0.46	41697
Country Select Funds						
ASEAN			19.32		0.06	[illegible]
Australia			14.06		0.04	[illegible]
Emerging Markets			9.47		–	[illegible]
France			90.95		0.41	[illegible]
Germany			15.19		0.01	[illegible]
Hong Kong			35.30		1.58	[illegible]
Iberia			1842		0.33	[illegible]
Italy			16025		5.29	[illegible]
Japan Smllr Cos			1322		1.20	[illegible]
Latin America			10.00		0.52	–
Malaysia			27.12		–	[illegible]
Nordic			121.82		–	[illegible]
Singapore			22.07		1.31	[illegible]
Thailand			27.60		0.78	[illegible]
United Kingdom			0.914		6.49	[illegible]
Bond Funds						
European	Ecu-		10.20		3.57	[illegible]
International			0.982		3.29	[illegible]
US Dollar			5.282		6.35	[illegible]
Sterling			0.357		7.15	[illegible]
Yen			1008		2.05	[illegible]
Prices as at May 13						

Fleming Group (u)

40 Rue Des Scillas L-2529 Howald Luxembourg

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

May 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5879	−0.0883	800 - 957	17.6846	17.5847	17.5841	0.3	17.5785	0.2	-	-	113.8
Belgium	(BFr)	51.4920	−0.0574	500 - 340	51.5927	51.3283	51.487	0.1	51.517	−0.2	51.317	0.3	115.0
Denmark	(DKr)	9.7806	−0.0169	770 - 846	9.8131	6.7589	9.7884	−0.9	6.7958	−0.5	9.814	−0.3	116.0
Finland	(FM)	8.1274	−0.0106	180 - 368	8.1680	8.1080	-	-	-	-	-	-	81.9
France	(FFr)	8.5776	−0.0121	733 - 816	8.5983	8.5556	8.5834	−0.6	8.589	−0.5	8.554	0.3	107.6
Germany	(DM)	2.5012	−0.004	999 - 024	2.5086	2.4939	2.5017	−0.2	2.501	0.0	2.4804	0.8	123.4
Greece	(Dr)	370.887	+1.209	350 - 423	372.277	368.481	-	-	-	-	-	-	-
Ireland	(I£)	1.0244	−0.002	235 - 253	1.0267	1.0205	1.025	−0.8	1.0263	−0.7	1.0283	−0.4	104.2
Italy	(L)	2394.49	−1.25	280 - 817	2398.41	2386.14	2400.94	−3.2	2410.64	−2.7	2442.04	−2.0	78.5
Luxembourg	(LFr)	51.4920	−0.0574	500 - 340	51.5927	51.3283	51.487	0.1	51.517	−0.2	51.317	0.3	115.0
Netherlands	(Fl)	2.8073	−0.003	059 - 087	2.8151	2.7996	2.8069	0.2	2.8066	0.1	2.7837	0.8	116.7
Norway	(NKr)	10.8353	−0.019	312 - 393	10.9004	10.8090	10.8296	0.6	10.8422	−0.3	10.8333	0.0	85.2
Portugal	(Es)	258.211	−0.211	000 - 421	258.301	258.853	259.166	−4.5	261.131	−4.5	-	-	-
Spain	(Pta)	206.734	+0.117	610 - 857	206.925	205.806	207.239	−2.9	208.154	−2.7	210.954	−2.0	84.5
Sweden	(SKr)	11.6103	−0.0104	019 - 186	11.6744	11.5652	11.6318	−2.2	11.6823	−1.8	11.7513	−1.2	77.1
Switzerland	(SFr)	2.1369	−0.0077	357 - 380	2.1428	2.1339	2.135	1.0	2.1304	1.2	2.0989	1.6	117.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.1
Ecu	-	1.2975	−0.0007	968 - 981	1.3014	1.2944	1.2983	−0.7	1.2969	−0.4	1.2947	0.2	-
SDR†	-	0.940342	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4988	+0.0003	984 - 992	1.4992	1.4950	-	-	-	-	-	-	-
Brazil	(Cr)	2301.97	+39.66	142 - 252	2302.52	2258.00	-	-	-	-	-	-	-
Canada	(C$)	2.0685	−0.0051	676 - 693	2.0713	2.0612	2.0702	−1.0	2.0752	−1.3	2.0966	−1.4	87.2
Mexico	(New Peso)	4.9962	+0.0197	875 - 048	5.0048	4.9675	-	-	-	-	-	-	-
USA	($)	1.5004	+0.001	000 - 007	1.5007	1.4965	1.4995	0.7	1.499	0.4	1.4999	0.0	65.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0788	−0.0039	776 - 800	2.0800	2.0612	2.0773	0.9	2.075	0.7	2.073	0.3	-
Hong Kong	(HK$)	11.5921	+0.0084	886 - 955	11.5955	11.5635	11.5791	1.3	11.5736	0.6	11.5246	0.8	-
India	(Rs)	47.0641	+0.0279	475 - 807	47.0807	46.9490	-	-	-	-	-	-	-
Japan	(Y)	157.189	+0.474	095 - 243	157.620	156.100	158.789	2.8	156.059	2.8	152.384	3.0	184.7
Malaysia	(M$)	3.9152	+0.0002	135 - 168	3.9188	3.9000	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5704	−0.0074	676 - 732	2.5732	2.5642	2.5733	−1.4	2.5776	−1.1	2.5862	−0.8	-
Philippines	(Peso)	40.6971	+0.0258	000 - 941	40.8941	40.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6266	+0.0036	250 - 281	5.6281	5.6123	-	-	-	-	-	-	-
Singapore	(S$)	2.3313	+0.0015	300 - 325	2.3325	2.3259	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4692	+0.0091	668 - 718	5.4716	5.4434	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.3367	+0.1471	200 - 534	7.4111	7.1899	-	-	-	-	-	-	-
South Korea	(Won)	1209.36	+1.44	900 - 971	1209.71	1206.27	-	-	-	-	-	-	-
Taiwan	(T$)	40.2244	−0.0045	000 - 488	40.2500	40.1900	-	-	-	-	-	-	-
Thailand	(Bt)	37.8764	+0.0185	900 - 927	37.8927	37.7820	-	-	-	-	-	-	-

†SDR rate for May 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.7225	−0.065	200 - 250	11.7745	11.7200	11.731	−0.9	11.7282	−0.2	11.7228	0.0	103.0
Belgium	(BFr)	34.3200	−0.06	000 - 400	34.4350	34.2600	34.35	−1.0	34.37	−0.0	34.235	0.2	104.4
Denmark	(DKr)	6.5190	−0.0154	180 - 200	6.5495	6.5016	6.528	−1.7	6.5365	−1.1	6.528	−0.1	103.7
Finland	(FM)	5.4170	−0.0105	120 - 220	5.4491	3.4017	5.4185	−0.3	5.410	−0.1	0.4245	−0.1	78.6
France	(FFr)	5.7170	−0.0115	155 - 185	5.7390	5.7050	5.7237	−1.4	5.7289	−0.6	5.7048	0.2	104.0
Germany	(D)	1.6671	−0.0037	668 - 675	1.6750	1.6622	1.6695	−1.0	1.6685	−0.3	1.6538	0.6	104.7
Greece	(Dr)	247.200	+0.85	900 - 500	248.500	246.900	250.95	−16.2	258.325	−16.0	287.2	−16.2	69.9
Ireland	(I£)	1.4646	+0.0036	637 - 655	1.4709	1.4588	1.4621	2.1	1.4562	1.7	1.4501	1.0	-
Italy	(L)	1595.95	−1.65	520 - 070	1602.25	1591.50	1600.45	−3.4	1607.55	−2.9	1626.95	−1.9	79.1
Luxembourg	(LFr)	34.3200	−0.05	000 - 400	34.4350	34.2600	34.35	−1.0	34.37	−0.6	34.235	0.2	104.4
Netherlands	(Fl)	1.8711	−0.0032	706 - 716	1.8793	1.8684	1.8722	−0.7	1.8726	−0.3	1.8576	0.7	103.9
Norway	(NKr)	7.2218	−0.0173	208 - 228	7.2703	7.2046	7.2258	−0.7	7.2253	−0.2	7.2018	0.3	95.1
Portugal	(Es)	172.100	−0.25	000 - 200	172.500	171.350	173.335	−8.6	175.3	−7.4	180.3	−4.8	92.7
Spain	(Pta)	137.790	−0.01	740 - 840	138.040	137.400	138.215	−3.7	138.86	−3.2	140.765	−2.2	78.9
Sweden	(SKr)	7.7384	−0.0119	346 - 421	7.7917	7.7050	7.7564	−2.8	7.7794	−2.1	7.8434	−1.4	82.6
Switzerland	(SFr)	1.4243	−0.006	238 - 247	1.4307	1.4225	1.4238	0.3	1.4216	0.8	1.4008	1.6	103.3
UK	(£)	1.5004	+0.001	000 - 007	1.5007	1.4965	1.4995	0.7	1.4991	0.3	1.4999	0.0	89.8
Ecu	-	1.1564	+0.0013	561 - 567	1.1591	1.1507	1.155	1.5	1.1539	0.9	1.1555	0.1	-
SDR†	-	1.40976	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	−0.0004	989 - 990	0.9990	0.9988	-	-	-	-	-	-	-
Brazil	(Cr)	1534.29	+25.48	428 - 430	1534.30	1534.28	-	-	-	-	-	-	-
Canada	(C$)	1.3787	−0.0043	784 - 789	1.3810	1.3765	1.3807	−1.7	1.3846	−1.7	1.399	−1.5	83.5
Mexico	(New Peso)	3.3300	+0.011	250 - 350	3.3350	3.3250	3.331	−0.4	3.3328	−0.3	3.3402	−0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	180.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3855	−0.0035	850 - 860	1.3937	1.3837	1.3867	−1.1	1.3914	−1.7	1.402	−1.2	87.4
Hong Kong	(HK$)	7.7262	+0.0007	257 - 267	7.7267	7.7257	7.7292	−0.5	7.7352	−0.5	7.7599	−0.4	-
India	(Rs)	31.3688	−0.8012	650 - 725	31.3725	31.3650	31.4338	−2.5	31.5688	−2.6	-	-	-
Japan	(Y)	104.755	+0.25	730 - 780	105.100	104.100	104.55	2.3	104.1	2.5	101.81	3.0	146.6
Malaysia	(M$)	2.6095	−0.0015	090 - 100	2.6133	2.6045	2.6025	3.2	2.587	3.4	2.6485	−1.5	-
New Zealand	(NZ$)	1.7131	−0.0062	115 - 147	1.7147	1.7106	1.7143	−0.9	1.7188	−1.3	1.7407	−1.6	-
Philippines	(Peso)	27.1250	-	000 - 500	27.2500	27.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-	500 - 503	3.7503	3.7500	3.7509	−0.2	3.7532	−0.3	3.7647	−0.4	-
Singapore	(S$)	1.5538	-	533 - 543	1.5543	1.5523	1.5532	0.6	1.5527	0.3	1.5513	0.2	-
S Africa (Com.)	(R)	3.6453	+0.0038	445 - 460	3.6475	3.6340	3.6618	−5.4	3.6878	−4.7	3.7808	−3.7	-
S Africa (Fin.)	(R)	4.8900	+0.095	800 - 000	4.9500	4.8000	4.924	−8.3	4.984	−7.7	-	-	-
South Korea	(Won)	806.050	+0.45	000 - 180	806.300	805.200	809.05	−4.8	812.55	−3.2	831.05	−3.1	-
Taiwan	(T$)	26.8100	−0.02	000 - 200	26.8800	26.8000	26.8755	−2.8	26.976	−2.5	-	-	-
Thailand	(Bt)	25.2450	−0.005	400 - 500	25.2500	25.2300	25.325	−3.8	25.45	−3.2	25.97	−2.9	-

†SDR rate for May 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 12. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	10	19.00	16.66	4.857	1.989	4640	5.452	21.05	801.5	401.4	22.55	4.150	1.942	4.018	2.913	305.1	2.521
Denmark	(DKr)	52.64	10	8.769	2.557	1.047	2448	2.870	11.08	264.0	211.3	11.87	2.185	1.022	2.115	1.534	100.8	1.327
France	(FFr)	60.03	11.40	10	2.916	1.194	2791	3.273	12.64	301.0	241.0	13.54	2.492	1.166	2.412	1.748	183.2	1.513
Germany	(DM)	20.59	3.911	3.429	1	0.409	957.2	1.122	4.334	103.2	82.65	4.642	0.854	0.400	0.827	0.600	82.61	0.519
Ireland	(I£)	50.28	9.552	8.376	2.442	1	2338	2.741	10.59	252.1	201.9	11.34	2.087	0.977	2.021	1.465	153.4	1.268
Italy	(L)	2.151	0.409	0.358	0.104	0.043	100.	0.117	0.453	10.79	8.634	0.485	0.089	0.042	0.086	0.063	6.562	0.054
Netherlands	(Fl)	18.34	3.485	3.056	0.891	0.365	852.9	1	3.862	91.96	73.64	4.136	0.761	0.356	0.737	0.534	55.97	0.462
Norway	(NKr)	47.50	9.023	7.812	2.307	0.945	2208	2.589	10	238.2	190.7	10.71	1.971	0.923	1.909	1.384	144.8	1.197
Portugal	(Es)	19.94	3.788	3.322	0.969	0.397	927.2	1.087	4.198	100.	80.06	4.497	0.828	0.387	0.801	0.581	60.84	0.503
Spain	(Pta)	24.91	4.732	4.149	1.210	0.495	1158	1.358	5.244	124.9	100.	5.617	1.034	0.484	1.001	0.726	76.80	0.628
Sweden	(SKr)	44.35	8.425	7.388	2.154	0.882	2062	2.418	9.337	222.4	178.0	10	1.841	0.861	1.782	1.292	135.3	1.118
Switzerland	(SFr)	24.09	4.577	4.014	1.170	0.479	1120	1.314	5.073	120.8	96.72	5.433	1	0.468	0.968	0.702	73.51	0.607
UK	(£)	51.49	9.781	8.577	2.501	1.024	2394	2.807	10.84	258.2	206.7	11.61	2.137	1	2.069	1.500	157.1	1.298
Canada	(C$)	24.89	4.727	4.145	1.209	0.495	1157	1.357	5.239	124.8	99.90	5.611	1.033	0.483	1	0.725	75.93	0.627
US	($)	34.33	6.521	5.718	1.667	0.683	1596	1.871	7.227	172.1	137.8	7.740	1.425	0.667	1.379	1	104.7	0.865
Japan	(Y)	327.8	62.26	54.60	15.92	6.518	15238	17.87	69.00	1644	1316	73.90	13.60	6.365	13.17	9.548	1000.	8.262
Ecu		39.67	7.535	6.608	1.927	0.789	1844	2.163	8.351	198.9	159.2	8.945	1.646	0.770	1.594	1.155	121.0	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, Swedish Kronor and Belgian Franc per 10; Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.5995	0.5984	−0.0009	0.6013	0.5984	40,371	114,838
Sep	0.5978	0.5985	−0.0011	0.5990	0.5985	899	8,164
Dec	0.5990	0.6001	−0.0012	0.6009	0.5990	2	213

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.7019	0.7014	−0.0004	0.7030	0.6996	19,119	36,839
Sep	0.7030	0.7035	−0.0006	0.7045	0.7025	129	731
Dec	-	0.7069	−0.0007	-	0.7069	24	337

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.9612	0.9539	−0.0066	0.9625	0.9536	29,259	56,622
Sep	0.9661	0.9612	−0.0068	0.9675	0.96125	1,273	5,121
Dec	0.9720	0.9692	−0.0070	0.9720	0.9692	6	969

STERLING FUTURES (IMM) £62,500 per £

1.4984	1.4990	1.4974	−0.0020	1.5000	1.4956	13,148	42,348
1.4976	1.4980	1.4968	−0.0020	1.4980	1.4944	1,273	2,290
-	1.4960	1.4968	−0.0028	-	1.4960	6	38

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.425	7.24	7.16	7.28	-	-	0.16
1.450	4.74	4.77	5.12	-	0.06	0.49
1.475	2.29	2.63	3.28	-	0.42	1.12
1.500	0.02	1.12	1.91	0.12	1.35	2.18
1.525	-	0.34	0.96	2.56	3.01	3.68
1.550	-	0.05	0.44	5.06	5.21	5.62

Previous day's vol., Calls 40,035 Puts 12,486 . Prev. day's open int., Calls 495,530 Puts 433,322

UK INTEREST RATES

LONDON MONEY RATES

May 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 1/8 - 3	4 13/16 - 4 9/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16
Sterling CDs	-	-	5 - 4 15/16	5 1/8 - 5 1/16	5 3/8 - 5 5/16	5 3/4 - 5 5/8
Treasury Bills	-	-	4 13/16 - 4 25/32	4 13/16 - 4 7/8	-	-
Bank Bills	-	-	4 31/32 - 4 15/16	4 13/16 - 4 7/8	5 1/8 - 5 1/16	-
Local authority deps.	4 3/4 - 4 1/4	4 13/16 - 4 3/4	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 1/2 - 5 3/8	5 7/8 - 5 3/4
Discount Market Deps	5 - 4	4 13/16 - 4 3/4	-	-	-	-

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc.
Ave. tender rate of discount 4.8688pc. ECGD fixed rate Stlg. Export Finance. Make up day April 29, 1994. Agreed rate for period May 25, 1994 to Jun 25, 1994, Schemes II & III 6.56pc. Reference rate for period Apr 1, 1994 to Apr 29, 1994, Scheme IV & V 5.286pc. Finance House Base Rate 5 1/2pc from May 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	May 13	May 6
Bills on offer	400m	£400m
Total of applications	£1873m	£1663m
Total allocated	£400m	£400m
Min. accepted bid	£98.790	£98.785
Allotment at min. level	43%	39%

	May 13	May 6
Top accepted rate	4.8533%	4.8734%
Ave. rate of discount	4.8428%	4.8688%
Average yield	4.9020%	4.9288%
Offer at next tender	£400m	£400m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 23 in today's edition.

Pound in New York

May 13	Close	Prev. close
£ spot	1.4990	1.4997
1 mth	1.4985	1.4989
3 mth	1.4980	1.4986
1 yr	1.4980	1.4993

FIXED INTEREST RATES

MONEY RATES

May 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5 5/8	5 3/4	5 7/8	5 1/8	5 5/8	7.40	4.50	-
week ago	5 5/8	5 7/8	5 1/2	5 5/8	5 3/4	7.40	4.75	-
France	5 1/8	5 3/8	5 5/8	5 1/2	5 1/4	5.50	-	6.75
week ago	5 1/8	5 3/8	5 3/8	5 1/8	5 3/16	5.70	-	7.75
Germany	5.50	0.20	5.03	4.98	4.96	8.00	4.50	5.47
week ago	5.38	5.20	5.20	5.12	5.07	6.50	5.00	5.47
Ireland	6 3/4	5 3/4	6	6 1/4	6 5/8	-	-	6.25
week ago	6 1/8	5 7/8	6	6 5/8	6 5/8	-	-	6.50
Italy	7 3/4	7 3/4	7 3/4	7 3/4	7 3/4	-	7.00	8.10
week ago	8 1/8	7 3/4	7 7/8	7 7/8	8	-	7.50	8.27
Netherlands	5.28	5.12	5.05	5.03	5.02	-	5.25	-
week ago	5.48	5.12	5.11	5.10	5.10	-	5.25	-
Switzerland	4 1/8	4	4	4	4	6.625	3.50	-
week ago	3 7/8	4	4	4	4 1/8	5.626	3.50	-
US	3 3/4	4 1/4	4 5/8	5 1/16	5 3/4	-	3.00	-
week ago	3 3/4	4 1/4	4 3/4	5	5 1/2	-	3.00	-
Japan	2 1/8	2 1/8	2 1/8	2 1/8	2 1/8	-	1.75	-
week ago	2 1/8	2 1/16	2 1/8	2 3/16	2 1/4	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	4 1/4	4 5/8	5 1/4	5 7/8	-	-	-
week ago	-	4 1/4	4 5/8	4 7/8	5 5/8	-	-	-
US Dollar CDs	-	4.20	4.56	5.00	5.61	-	-	-
week ago	-	4.20	4.40	4.85	5.46	-	-	-
SDR Linked Ds	-	3 7/8	4	4 1/8	4 1/8	-	-	-
week ago	-	3 7/8	4	4 1/8	4 3/8	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 1/8; 3 mths: 5 3/4; 6 mths: 6 1/4; 1 year: 6 1/4. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 1/2 - 5 3/8	6 1/2 - 5 3/8	5 3/4 - 5 5/8	5 7/8 - 5 3/4	5 1/2 - 5 3/8	5 5/8 - 5 1/2
Danish Krone	7 1/2 - 6 1/2	5 3/4 - 5 1/2	5 3/4 - 5 1/2	6 3/4 - 5 1/2	5 3/4 - 5 1/2	5 3/4 - 5 1/2
D-Mark	5 5/8 - 5 1/2	5 7/16 - 5 5/16	5 1/4 - 5 1/8	5 1/8 - 5	5 - 4 7/8	4 15/16 - 4 13/16
Dutch Guilder	5 3/16 - 5 1/16	5 1/4 - 5 1/8	5 3/16 - 5 1/16	5 1/8 - 5	5 1/8 - 5	5 1/8 - 5
French Franc	5 7/8 - 5 3/4	5 13/16 - 5 11/16	5 3/4 - 5 5/8	5 7/16 - 5 5/16	5 1/2 - 5 3/8	5 1/2 - 5 3/8
Portuguese Esc.	11 1/2 - 11 3/8	12 1/4 - 11 3/4	12 1/4 - 11 1/2	11 1/8 - 10 3/8	10 3/4 - 10 1/4	10 1/4 - 9 3/4
Spanish Peseta	7 3/16 - 7 1/16	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 13/16 - 7 11/16
Sterling	4 3/4 - 4 1/2	4 13/16 - 4 11/16	5 1/16 - 5	5 3/16 - 5 1/16	5 3/8 - 5 1/4	5 13/16 - 5 11/16
Swiss Franc	4 1/4 - 4	4 1/4 - 4	4 1/16 - 3 15/16	4 - 3 7/8	4 - 3 7/8	4 1/16 - 3 15/16
Can. Dollar	5 1/2 - 5 3/4	5 7/16 - 5 11/16	5 13/16 - 5 11/16	6 3/16 - 6 1/16	6 13/16 - 6 11/16	7 1/8 - 7 1/4
US Dollar	3 3/4 - 3 5/8	4 1/8 - 4	4 5/16 - 4 3/16	4 3/4 - 4 5/8	5 3/16 - 5 1/16	5 3/4 - 5 5/8
Italian Lira	8 - 7 1/2	7 3/4 - 7 1/4	7 3/4 - 7 1/4	7 3/4 - 7 1/4	7 5/8 - 7 1/4	7 3/4 - 7 1/2
Yen	2 3/16 - 2 1/8	2 3/16 - 2 1/8	2 3/16 - 2 1/8	2 3/16 - 2 1/8	2 3/16 - 2 1/4	2 7/16 - 2 3/8
Asian $Sing	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 1/2 - 2 1/2	4 - 3	4 - 3	4 1/4 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jun	94.92	95.00	+0.09	95.04	94.92	169,854	422,492
Sep	94.21	94.31	+0.09	94.35	94.21	242,548	430,744
Dec	93.71	93.79	+0.11	93.84	93.71	332,423	415,220

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jun	95.38	95.44	+0.09	95.45	95.37	4,711	22,751
Sep	94.72	94.76	+0.10	94.79	94.71	2,328	10,933
Dec	94.33	94.36	+0.08	94.37	94.30	148	7,068

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday May 11, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,127,201,621	+457,684,839
Bankers deposits	1,619,082,039	-184,556,508
Reserve and other accounts	2,944,429,284	-186,578,987
	5,705,245,944	+86,549,344
Assets		
Government securities	1,004,182,429	-7,860,000
Advance and other accounts	3,487,584,504	+49,715,736
Premise, equipment and other secs	1,207,852,669	+51,372,038
Notes	5,440,076	-6,874,274
Coin	176,266	-4,156
	5,705,245,944	+86,549,344
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,654,559,924	-303,125,726
Notes in Banking Department	5,440,076	-6,874,274
	17,660,000,000	-310,000,000
Assets		
Government debt	11,015,100	
Other Government securities	13,961,020,717	-62,266,912
Other Securities	3,687,964,183	247,733,088
	17,660,000,000	-310,000,000

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY MAY 13 1994: US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY MAY 12 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (69)	170.55	2.2	168.54	112.94	147.82	157.17	−3.9	3.48	167.41	165.53	110.59	145.41	154.66	189.15	130.16	136.75
Austria (17)	174.86	−5.5	172.81	115.80	151.58	161.38	−8.1	1.06	173.41	171.46	114.55	150.62	150.94	195.41	140.14	142.10
Belgium (42)	173.73	8.8	171.67	115.04	150.57	147.04	1.4	3.71	173.43	171.48	114.56	150.84	147.04	176.67	141.32	146.69
Canada (106)	127.06	−6.4	125.55	84.13	110.12	126.84	−2.6	2.66	126.44	125.02	83.52	109.82	126.61	145.31	121.46	127.06
Denmark (33)	254.70	3.0	251.68	168.65	220.74	225.82	−1.1	0.96	254.60	251.75	168.18	221.15	226.28	275.79	207.58	221.60
Finland (22)	153.82	24.9	152.00	101.86	133.31	174.87	16.8	0.65	151.84	150.14	100.31	131.89	172.96	158.72	85.54	92.25
France (98)	176.74	0.4	174.65	117.03	153.18	158.50	−2.8	2.64	175.52	173.55	115.94	152.45	157.72	185.37	149.60	154.85
Germany (58)	144.41	3.0	142.70	95.62	125.18	125.18	−1.1	1.65	143.26	141.66	94.64	124.44	124.44	147.07	107.59	112.18
Hong Kong (56)	374.61	−23.5	370.08	247.99	324.59	371.49	−23.5	2.87	363.59	359.51	240.19	315.82	360.62	506.56	271.42	267.59
Ireland (14)	184.66	−0.3	182.50	122.29	160.06	177.66	−4.1	3.43	183.11	181.06	120.96	159.06	176.63	209.33	155.93	164.12
Italy (80)	96.31	40.4	95.17	63.77	83.47	114.79	30.9	1.53	96.32	95.24	63.63	83.66	114.93	97.78	57.66	89.22
Japan (469)	157.12	20.7	155.26	104.04	136.17	104.04	13.3	0.78	157.68	155.91	104.15	136.96	104.15	165.91	124.54	142.85
Malaysia (96)	477.84	−19.2	472.19	316.42	414.15	480.24	−21.8	1.40	471.13	465.85	311.22	409.23	473.76	621.63	312.51	327.48
Mexico (18)	1911.26	−16.9	1888.62	1265.57	1656.44	6958.60	−14.2	1.12	1867.74	1846.79	1233.81	1622.32	6777.89	2647.08	1431.17	1486.00
Netherland (26)	202.65	1.9	200.45	134.32	175.81	173.23	−1.8	3.24	202.42	200.10	133.72	175.82	173.16	207.43	163.30	169.50
New Zealand (14)	67.58	−0.5	66.78	44.74	58.55	61.46	−4.7	3.89	67.04	66.29	44.29	58.23	61.20	77.59	46.83	47.45
Norway (23)	198.35	10.4	196.00	131.34	171.91	194.43	6.0	1.71	194.47	192.29	128.46	168.91	191.08	206.42	150.61	158.95
Singapore (44)	340.44	−7.4	336.41	225.43	295.06	243.77	−10.6	1.65	336.94	333.16	222.58	292.67	241.26	378.92	242.46	247.66
South Africa (59)	266.14	−0.4	262.98	176.23	230.65	284.45	13.6	2.17	267.00	264.00	176.37	231.91	279.62	280.26	175.93	189.99
Spain (42)	144.60	3.7	142.78	95.68	125.23	150.63	0.0	3.95	143.47	141.86	94.77	124.62	149.77	155.79	116.33	127.60
Sweden (36)	228.46	16.3	225.78	151.28	198.01	261.72	5.0	1.53	224.53	222.02	148.32	195.03	257.61	230.02	183.65	176.21
Switzerland (48)	154.59	−3.5	152.76	102.36	133.98	136.50	−7.4	1.76	161.58	149.66	100.14	131.67	134.42	176.56	121.16	121.16
United Kingdom (205)	161.66	−6.4	169.59	127.04	166.28	169.59	−7.7	3.91	192.89	190.73	127.42	167.55	190.73	214.96	170.32	178.29
USA (519)	180.98	−4.7	178.84	119.84	156.85	180.98	−4.7	2.95	180.66	178.64	119.34	156.92	180.66	196.04	178.95	179.44
EUROPE (724)	170.64	1.3	168.62	112.98	147.89	160.80	−2.6	2.88	170.12	168.21	112.38	147.77	160.56	178.58	141.59	144.85
Nordic (114)	210.67	13.8	213.11	142.81	186.91	215.77	5.9	1.31	212.90	210.51	140.64	184.93	213.40	220.69	155.82	166.27
Pacific Basin (750)	165.42	14.0	163.49	109.54	143.37	113.91	7.7	1.07	165.40	163.55	109.28	143.67	113.68	168.80	134.79	148.91
Euro-Pacific (1474)	197.44	8.0	165.46	110.87	145.12	132.36	3.0	1.84	167.21	165.33	110.46	145.24	132.12	170.78	141.98	145.95
North America (625)	177.63	−4.7	175.63	117.62	153.65	177.24	−4.6	2.94	177.30	175.31	117.12	154.00	176.93	192.73	176.87	176.19
Europe Ex. UK (519)	155.17	5.2	153.33	102.75	134.48	142.50	0.7	2.28	153.92	152.18	101.68	133.69	141.85	157.47	122.37	125.35
Pacific Ex. Japan (281)	247.09	−13.8	244.17	163.62	214.16	223.64	−16.2	2.66	242.05	239.34	159.90	210.25	219.28	296.21	182.38	186.93
World Ex. US (1657)	168.28	7.0	166.28	111.43	145.84	136.46	2.8	1.85	168.00	166.12	110.98	145.93	136.10	172.51	142.94	146.54
World Ex. UK (1971)	169.51	3.5	167.51	112.25	146.91	145.97	0.9	2.05	180.10	167.21	111.71	146.88	145.54	175.68	153.22	154.69
World Ex. So. Af. (2117)	170.92	2.7	168.90	113.16	148.13	148.89	−0.1	2.24	170.63	168.71	112.71	148.21	148.60	178.56	155.80	196.47
World Ex. Japan (1707)	181.20	−3.5	179.05	119.65	157.04	176.24	−4.7	2.86	180.49	178.46	119.23	156.77	175.62	195.20	165.70	165.70
The World Index (2176)	171.49	2.6	169.46	113.56	148.63	149.90	0.0	2.23	171.21	169.28	113.10	148.71	149.58	178.97	155.17	156.59

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.85 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Constituent change with effect 16/5/94: Deletion: Sandoz (P.C) (Switzerland). Constituent changes during week ending 13/5/94: Name changes: Interprovincial Pipe Line to IPL Energy (Canada), Nova Corp. of Alberta to Nova Corp. (Canada) and Arkla to Noram Energy (USA). Belgian Market closed 13/5/94.

STOCK INDICES

	May 13	May 12	May 11	May 10	May 9	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3119.2	3137.6	3130.5	3136.3	3097.8	3520.3	3070.5	3520.3	986.9
FT-SE Mid 250	3721.6	3742.4	3742.5	3753.3	3742.1	4152.8	3721.8	4152.8	1379.4
FT-SE Mid 250 ex ITs	3733.6	3755.5	3755.5	3768.8	3759.0	4169.7	3733.6	4169.7	1378.3
FT-SE-A 350	1590.0	1598.3	1598.5	1599.8	1578.8	1778.3	1584.7	1778.3	664.5
FT-SE SmallCap	1923.04	1927.61	1931.08	1933.03	1933.40	2094.98	1874.73	2094.98	1363.79
FT-SE SmallCap ex ITs	1900.24	1905.29	1908.75	1911.67	1913.29	2060.72	1825.29	2060.72	1363.79
FT-SE-A All-Share	1571.63	1580.45	1578.05	1581.23	1566.43	1764.11	1558.59	1764.11	61.92
FT-SE Eurotrack 100	1468.03	1460.98	1458.12	1456.39	1437.30	1540.10	1393.60	1540.19	900.45
FT-SE Eurotrack 200	1480.06	1479.49	1473.45	1471.35	1452.04	1607.10	1440.06	1607.10	938.62
FT Ordinary	2471.2	2494.1	2481.8	2500.1	2477.2	2713.6	2439.2	2713.6	49.4
FT Govt Securities	94.48	93.94	93.77	93.45	93.20	107.04	93.20	127.40	49.18
FT Fixed Interest	112.10	111.97	111.48	110.92	112.15	133.87	110.92	133.87	50.53
FT Gold Mines	1826.92	1840.10	1852.54	1848.44	1870.56	2367.4	1762.02	2367.46	922.16
Predecessor Gold Mines	209.6	209.4	208.7	210.0	213.2	277.9	185.6	734.7	43.5

FT GOLD MINES INDEX

	May 13	% chg since 31/12/93	May 12	Mkt Cap $m	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	1826.52	−18.1	1840.10	43.09	100.00	2.12	2367.40	1522.66
Regional indices								
Africa (18)	2514.40	−23.6	2540.71	12.93	30.01	4.76	3440.80	1902.23
Australasia (8)	2368.47	−11.2	2328.27	6.11	14.17	2.02	3013.89	1893.18
North America (11)	1552.96	−18.6	1568.52	24.05	55.82	0.72	2039.85	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: May 13: 209.6; week's change: +7.0 points; Year ago: 165.1. † Partial.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	1.34	10	9	Abtrust Scot Wrts	10		-	-	-	-
-	F.P.	1,221.8	£14 7/8	£14 1/2	Ashanti Gold	£14 1/2		-	-	-	-
-	F.P.	30.0	101	100	Beta Global Em C	100		-	-	-	-
110	F.P.	40.3	116	110	DRS Data & Res	113	−2	LN2.8	1.1	3.1	27.0
160	F.P.	60.1	171	160	GRT Bus	168	−1	RN3.8	3.3	2.8	13.0
120	F.P.	41.7	128	125	Go-Ahead	125		MN4.0	1.8	4.0	18.0
-	F.P.	21.0	483	479	Govett Global Smlr	482		-	-	-	-
185	F.P.	41.8	196	180	Hamleys	182	−1	W4.7	2.2	3.2	17.5
-	F.P.	-	96	94	Intl Biotech	94		-	-	-	-
-	F.P.	-	50	30	Do. Warrants	50		-	-	-	-
130	F.P.	68.8	138	122	Keller	123		WN04.7	2.3	3.8	14.3
-	F.P.	33.6	15	14	My Kinda Town	14†		-	-	-	-
85	F.P.	24.7	87	67	Oxford Molecular	67	−2	-	-	-	-
-	F.P.	5.63	60	53	Secure Retirement	56		-	-	-	-
198	F.P.	12.4	261	198	Superscape VR	234		-	-	-	-
100	F.P.	43.0	93	91	Templeton Lat Am	93	+1/2	-	-	-	-
-	F.P.	3.79	50	41	Do Wrts	41		-	-	-	-
-	F.P.	141.4	104	100	Templeton Emg C	101		-	-	-	-
100	F.P.	61.5	102 1/2	99	Undervalued Asts	102 1/2		-	-	-	-
150	F.P.	40.9	159	154	Vymura	159	+1	L4.44	2.2	3.5	15.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price £	+or-
-	F.P.	-	85	85	Creston Land 6pc Cv. Ln.	92	
-	F.P.	-	103	103	Fiscal Props. 7 1/2pc Ln. 2020	103	
-	F.P.	-	117 1/2p	104p	MAI 5.9p Cv. Pf.	107p	
-	F.P.	-	103	102	Ptarmigan 3 1/4pc Cv. Bds.	102	

p Pence.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
-	Nil	-	3pm	1pm	Abtrust Scotland	1 1/4pm	
390	Nil	17/6	94pm	28pm	Airtours	89pm	+4 1/2
6	Nil	16/6	1 1/2pm	1/4pm	Allied Radio	1/4pm	
27	Nil	22/6	7 1/4pm	5 1/2pm	Babcock Intl	5 1/2pm	−1
3	Nil	31/5	8pm	8pm	‡Cupid	8pm	+1 1/2
55	Nil	-	16pm	5pm	Dale Electric	5pm	
500	Nil	28/6	63pm	44pm	Derwent Valley	44pm	−2
6	Nil	31/5	1/4pm	1/2pm	Ferrum Hldgs	1/2pm	
192	Nil	15/6	27pm	6pm	Hunters Armley	6pm	−6
2	Nil	24/5	3/4pm	3/4pm	Tamaris	3/4pm	
24	Nil	-	11pm	10pm	Unit	10pm	
330	Nil	9/6	43pm	25pm	Williams Hldgs	35pm	−1

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	•Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	•Smith & Williamson Secs.	5.25
•Henry Ansbacher	5.25	•Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	•Guinness Mahon	5.25	•United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	•Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	•Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
•Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	•Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	•Rea Brothers	5.25		

• Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Coutts & Co
Dao Heng Bank (London) PLC Premier Acc
CAF Money Management Co Ltd
Davenham Tst Plc-Davenham 500 Acc
The CBF Charities Deposit Account
Fidelity Money Market Account
Cent. Bd. of Fin. of Church of England
Halifax Bldg Soc Asset Reserve Cheque Acc

Money Market Bank Accounts

Aitken Hume Bank plc
Julian Hodge Bank Ltd
Humberclyde Finance Group
Leopold Joseph & Sons Limited
Allied Trust Bank Ltd
Kleinwort Benson Ltd
Kleinwort Benson Private Bank
American Express Bank Ltd
Lloyds Bank - Investment Account
Bank of Ireland High Interest Cheque Acc
Midland Bank plc
Bank of Scotland
Nationwide Bldg Soc
Barclays Select
Portman Bldg Soc Prestige Cheque Account
Barclays Prime Account H.I.C.A.
Rea Brothers Limited, Bankers
Brown Shipley & Co Ltd
Royal Bank of Scotland plc Premium Acc
Caledonian Bank Plc
Cater Allen Ltd
Save & Prosper/Robert Fleming
Charterhouse Bank Limited
Tyndall Bank plc
UCI Trust Limited
Clydesdale Bank Flexible Solution Acc
United Dominions Trust Ltd
The Co-operative Bank
J. Henry Schroder Wagg & Co Ltd
Western Trust High Interest Cheque Acc

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		221½	-0.1	Q67%	ϕ	Sep May	1.9	–
ANZ A$		224	0.1	Q20c	5.7	Jan Jul	9.12	–
Abbey National	NC	493xd	-3.1	14.9	2.1	May Oct	14.3	6411
Allied Irish I£		280	0.9	Q52%	2.7	Oct May	28.3	1364
Anglo Irish I£	NC	63	-1.9	Q17.9%	1.7	Jan Jul	29.11	1365
Asahi Y		751¼	1.3	Q10%	1.3	Jan Dec	12'92	3049
Banco Bil Viz Pta		£16	2.8	Q27.2%	3.7	JyOcJaAp	13.7	–
Banco Sant Pta		£31⅝	—	Q35.1%	ϕ	MyJyOcJa	30.10	–
Bk Ireland I£		282	-1.1	Q14%	ϕ	Jul Dec	15.11	1380
Bank Scotland	NC	190	2.7	8.03	2.4	Dec Jul	10.10	1742
9¼pc Pf		117½xd	0.9	9¼%	–	May Nov	25.4	1482
9¾pc Pf		123½xd	0.6	9¾%	–	May Nov	25.4	1695
Barclays	NC	540xd	4.8	16.15	1.5	Oct May	14.3	1754
Dai Ichi Kan Y		£12⅝	-2	Q15%	3.2	Jan Dec	27.0	–
Deutsche DM		£312¼	-1.2	Q30%	–	May	24.5	–
Espirito Santo		2161½	-8	Q120c	6.9	Jan	4.6	5187
First Nat Fin	NC	76	-1.3	1.6	–	Mar	17.1	2571
6.3pc Cv Pf		93	—	6.3%	–	Jul Jan	4.1	2576
7pc Cv Pf		149	—	7.0	–	Jul Jan	4.1	1495
Fuji Bank Y		1505¼	0.7	Q17%	2.3	Dec Jun	4.7	–
HSBC HK		738	2.2	23.5	ϕ	Nov Jun	14.3	2798
HSBC (75p Shs)		725xd	3.3	23.6	ϕ	Nov Jun	14.3	2776
Lloyds	NC	567	-3.9	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y		£17⅝	-1.5	Q17%	2.3	Jun Dec	12'92	–
Mits Tst & Bk Y		1621¼	6.7	Q16%	12.4	Jun Dec	12'92	–
Mitsui Tst & Bk Y		776¼	7.0	Q17%	0.6	Jun Dec	12'92	–
Nat Aust A$		585¼	2.2	Q50c	1.7	Jul Jan	9.6	–
NatWest	NC	483	4.5	19.5	2.1	Oct May	28.2	3468
Ottomane FFr		£27½	—	Q125%	ϕ	May	5'93	–
Ryl Bk Scotland		432	6.1	12.0	1.9	Feb Jul	13.12	3674

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

[illegible] INVESTMENT TRUSTS

[illegible] COMPANIES

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28½	10.4	Q376c	1.9	Oct Apr	3'93	–
Barlow		653½	1.2	Q173c	1.7	Jan Jul	13.12	–
Gold Flds Prop R		81	–1.1	Q80c	1.2	–	31.1	–
NK Props		80	—	Q44.7c	0.3	Feb Oct	18.10	–
SASOL		338	–2.3	Q78c	–	Oct	23.9	3919
SA Brews		£14⅛	–.9	Q138c	2.2	Dec Jun	13.12	–
Tiger Oats		744	—	Q85c	2.9	Jul Feb	29.11	–
Tongaat-Hulett		626	1.3	Q75c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Partco, Parsons (Distrs), Abtrust High Inc, Edinburgh Inca Wrts, F & C Inc Wrts (Inv Tsts), Groupe Chez Gerard, St James Beach (Leis), Power Corp (Prop), Hse of Fraser (Ret Gen). Deletions: Intl Food Mach (Distrs), Bennett & Fountn, Ropner A (Divrs Inds), Ptarmigan (Inv Tsts), Allied Radio 8% Ln 2001 (Media).

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4 pm close May 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	14⅛	AAR	0.48	3.2	95	33	15	14⅛	14⅞	
16⅞	13⅞	A L Labs A	0.18	1.3	32	60	14⅛	14	14	-⅛
65¾	57⅞	AMP x	1.68	2.6	32	830	64⅞	63¾	64⅞	+1¼
72¼	52⅛	AMR			27	23140	55¼	53	53⅛	-2½
5	3⅞	ARX			12	134	4⅛	4	4	-⅛
56⅛	38⅝	ASA	2.00	4.6	66	1319	44¼	43½	43⅞	+¾
30⅝	25⅞	AbbotL	0.20	2.6	17	10433	28	28⅛	28⅞	+⅛
13¾	11⅛	Abitibi Pr	0.50	4.2	0	45	11⅞	11⅝	11⅞	+⅛
13¾	11¼	Acptncein			66	74	12¼	12⅛	12¼	-⅛
31	24½	ACE Ltd	0.44	1.6	4	501	28	27⅝	27⅞	-⅞
12½	10⅛	ACM Grt In	1.09	10.1		301	10⅞	10¾	10⅞	+⅛
10⅛	7⅞	ACM GvOpp	0.50	9.5		12	8⅞	8⅞	8⅞	
10⅝	8⅞	ACM Grt Sp	0.05	11.3		171	8⅝	d8⅞	8½	
12	9⅞	ACM Grt Se	1.09	11.5		414	8½	d9⅞	9½	
11¾	8¾	ACM Man	1.08	12.9		131	9¼	9	9	-⅛
9¼	8	ACM Managd	0.72	8.7		57	8⅞	8¼	8⅞	
15½	8¾	AcmeClv x	0.44	3.9	13	168	12⅛	11¼	11¼	-¾
8½	7¾	Acme Elect			5	43	7¼	d7	7	-¼
20½	23	Acordia	0.60	2.1	14	z166	28⅞	28⅞	28⅞	
9⅞	6¾	Actava	0.36	4.2	2	122	8⅞	8½	8⅝	
15⅛	11¼	Acuson			110	344	14½	14⅝	14⅞	-¼
18⅞	16½	Adams Expr x	0.48	2.8	0	89	16⅞	16¾	16⅞	
64	48½	Ad Micro	3.00	5.8		65	51¾	50⅝	51¾	-⅞
31¾	16¾	AdvMic	3.00	12.8	18	9906	24	22⅝	23¾	
6⅞	5	Advest Grp	0.10	3.2	7	76	5⅛	d5	5	-⅛
20	16¾	Advo Inc	0.10	2.0	110	338	16⅞	d16½	16½	-⅞
57¼	49⅞	Aegon ADR x	2.95	5.7	11	116	52⅛	52	52⅛	-⅞
[illegible]										
38¼	30	Bclays	1.29	4.0	04	68	32¼	20	32¼	-½
30½	22¾	Bard (C R)	0.56	2.3	20	832	25	24	24⅞	+⅞
34¼	26½	Barnes Grp	1.40	4.1	49	25	u34⅞	34	34⅞	+¼
48¾	39¼	BarnBk	1.44	3.2	11	2292	45¼	40	45⅛	-¼
12½	0⅞	BattlMt	0.00	0.5	195	2690	16¾	9⅞	9⅞	-¾
53⅞	42⅝	Bausch	0.96	2.1	10	569	47⅞	47	47½	+¼
25½	21⅝	Baxter	1.00	3.9	38	7293	u25½	25⅛	25½	+⅞
28⅞	23⅝	Bay St Gas x	1.46	6.1	14	101	24⅝	23¼	23¾	-1
22½	19⅛	Bd Tr 1638	1.72	8.2		18	21¼	21	21	-¼
23½	17½	Bear Strns x	0.57	3.0	5	1079	19½	19⅜	19¼	
50	48½	BearStPfA	2.83	5.7		2	49⅞	49⅞	49⅞	
37½	27¾	Bearings x	0.04	2.8	22	285	88	31⅞	88	
28¼	23½	Beckman In x	0.46	1.7	18	224	23¼	d23	23½	-⅛

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Continued on next page

4 pm close May 13

NYSE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
27	19¼	Safeway			22	567	22⅞	22½	22½	-⅛
6⅞	4⅝	SafewayW96				18	5⅛	5⅛	5⅛	
57⅞	50¼	StJoePaper	0.20	0.4	285	25	54¾	54¼	54¼	-½
30¼	27⅛	StJosL&P	1.80	6.7	13	38	27	d26⅞	26⅞	-¼
90	75⅞	StPaul	3.00	4.0	7	734	76⅛	d75⅛	75¾	-⅛
9⅝	6⅝	Salant Crp			9	118	7¼	7⅛	7¼	-⅛
40⅞	38¼	Sallie Mae	1.40	3.6	8	890	39⅛	38⅞	39⅛	+¼
13⅞	11⅞	Salomon Br x	0.28	2.3		177	12⅜	12⅛	12⅛	-¼
52¾	44¾	Salomn	0.04	1.3	8	2746	49	48½	48¾	
25	18⅝	SnDgGE	1.52	7.8	10	1208	19½	19	19⅛	+⅛
10	7½	SantaFeERs	0.16	1.8	8	768	9⅛	8⅞	9	-⅛
48	34⅝	SantaFePac	2.80	0.1	16	92	35	d34½	34¾	-½
26¼	20½	SanFeP	0.10	0.5	11	3731	21⅛	20¾	20⅞	-½
26	20⅛	SaraLee	0.64	2.9	15	8648	22⅞	22	22⅛	+⅜
50⅛	42½	Scana Corp	2.82	6.6	11	362	42⅞	d42¼	42⅝	+⅛
20½	13⅞	Sceptr	1.42	10.1	9	7290	14⅛	d13¾	14⅛	+⅛
40½	34¾	SchererRP			20	192	35¾	35	35	-⅝
69⅞	54½	SchrPl x	2.04	3.2	15	2795	64¼	63⅝	64¼	
61½	50¼	Schlmb	1.20	2.1	23	2795	57¼	56½	56½	-⅛
33	25¼	Schwab(C)	0.28	1.0	12	697	28⅝	28⅛	28⅝	
10¾	8⅛	Schwitzer			25	14	8¾	8¾	8¾	
35⅞	24⅞	SciAtl	0.12	0.4	67	1710	35¼	33½	33⅝	-1⅛
16⅞	13½	Scotsman	0.18	0.7	12	00	13¾	13⅜	13⅝	+⅛
46¾	37¼	ScottP	0.80	1.8	11	4426	45⅛	44¼	45	+1
26⅝	18⅝	ScuddrNAsF	0.21	1.0		48	21⅞	21¾	21⅞	+½
12⅝	9¾	ScuddrNEuF	0.18	1.4		160	11⅛	11	11½	+⅛

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	14⅞	TNP Enterp	1.63	10.5	15	267	15½	d14¾	15¼	+⅛
77⅞	61	TRW x	1.88	3.0	10	883	62½	61½	62¼	+½
11⅞	7½	72 Medici	0.10	0.9	9	7407	11	10½	10¾	-¾
39⅝	22⅝	Tahoen Fd				396	29⅞	28½	29⅞	+1⅝
7⅞	5⅛	Talleyind	0.42	6.7	10	71	6⅞	6¼	6⅝	
12¾	10	Talley Pf	1.00	0.1		4	11	11	11	
44½	34¾	Tmbrds	1.68	4.7	18	2073	36⅛	35½	36	+½
16⅞	10½	Tandem			2	1762	11⅛	10¾	11	+⅛
49⅞	30¾	Tandy	0.60	1.7	14	539	36⅞	36	36⅛	-⅛
12¼	9½	Taurus Mun x	0.72	7.5		27	9⅝	9⅝	9⅝	-⅛
22⅝	18¼	Taco Energ	1.01	5.2	14	662	19⅜	19¼	19⅜	
33⅞	23⅝	Tldrnw	0.60	2.1	10	84	28⅞	28⅛	28⅜	-¼
4	2¾	Telecm			20	4	3⅝	3½	3⅝	
28⅝	14¼	Teldyn	0.80	5.1	64	1325	16	15¾	15¾	-⅛
46⅛	34⅛	TeleEspSA	1.05	2.7	7	1004	39½	39⅛	39⅜	
78	50⅛	Telmex	1.53	2.7	11	32192	56⅝	55¾	56	
54¾	43¾	Tmplnl	1.00	2.2	29	1267	46⅝	45⅞	46½	+1
30⅝	19½	TempltEmMk	0.17	0.7		117	22¾	22⅜	22¾	+⅛
8⅞	6¾	TempltGlob	0.60	8.6		325	7	6⅞	7	+⅛
8	6¾	TempltSlFd x	0.60	0.7		455	7	6⅞	6⅞	-⅛
58¾	45⅛	Tnneco	1.60	3.4	18	4870	47⅛	46¾	47	
30	25⅝	Teppco Pts	2.40	8.3	11	101	29	28⅞	29	+⅛
31⅛	20⅝	Teradyne			22	464	23⅛	22¾	22¾	-¼
8⅞	6⅛	Terex	0.06	0.9	1	156	6⅞	6⅛	6⅞	+¼
8¾	6¼	Terra Inds	0.08	1.0	23	199	7¾	7½	7⅝	
12⅝	5¼	Tesoro			21	602	11½	11¼	11⅝	+⅛
68⅛	61	Texaco	3.20	5.0	14	2106	65	64⅛	64¼	-½
51⅞	50	Texaco C	3.23	6.4		8	51	50¾	50¾	-⅛

NASDAQ NATIONAL MARKET

4 pm close May 13

AMEX COMPOSITE PRICES

4 pm close May 13

FT GUIDE TO THE WEEK

16 MONDAY

EU ponders Russia policy

European Union foreign ministers meet in Brussels to decide whether to give the go-ahead to a political and trade accord with Russia. Doubts remain over the latest Russian offer to open up the banking sector, and how to deal with export of Russian nuclear fuels. But ministers hope to have an agreement ready to sign at the European summit in Corfu next month.

Ministers will also discuss latest diplomatic efforts to end the fighting in Bosnia, and are expected to approve a Ecu32m ($36m) plan for the EU to take over the administration of the Bosnian town of Mostar. Separately, the Council will consider a European Commission proposal to send Ecu100m of food aid to Ukraine, as part of a broader strategy to Russia's neighbour.

Dominican poll: Election day in the Dominican Republic sees President Joaquín Balaguer, 87, seeking his seventh term at the head of the Caribbean nation. But it will be a close-run thing since he is trailing in the polls to Mr José Francisco Peña Gómez of the social democratic Dominican Revolutionary Party. The last time Mr Balaguer won, in May 1990, his main opponent charged him with fraud.

Ecofin: European Union finance and economy ministers, meeting in Brussels, will review the economies of member states and discuss the Commission's white paper on growth, competitiveness and jobs. Financial assistance to eastern Europe and the former Soviet republics is also on the agenda, and the ministers will turn their attention to the Union's anti-fraud strategy.

Japan's taxpayers: A list of the 100 highest taxpayers in Japan is to be released. The tax list, prepared by the national tax office, is a mixture of honest and less honest millionaires. It is also an interesting economic indicator. Last year, for example, the survey showed a decline to 125,000 people paying more than Y10m in tax, down from 175,000 in the previous survey.

Top of last year's taxpayer league was Hiromasa Ezoe, former president of Recruit, the employment agency, on trial over the 1988-1989 Recruit shares for favours scandal. He paid Y3.96bn in tax in 1992.

Platinum survey: Johnson Matthey, the world's biggest platinum marketing group, publishes its highly regarded annual survey of the world platinum market. It is likely to make depressing reading for the producers by suggesting the market remains in surplus and that, unless there is market-disturbing news from either of the two biggest producers – South Africa and Russia – prices will remain relatively low.

Holidays: Israel (Shavuot), Saudi Arabia (Eid al-Adha), Venezuela.

17 TUESDAY

US rates likely to rise

Many economists expect the US Federal Reserve to announce another rise in short-term interest rates following today's meeting of the policy-making open market committee. A quarter- or half-point increase in the federal funds rate to 4 per cent or 4.25 per cent is widely seen as necessary to bolster the dollar and slow the pace of domestic growth.

If the Fed wants to send a strong signal it will also "ring the gong" – raise the discount rate, at which it lends to banks. So far the discount rate has stayed unchanged at 3 per cent despite three increases to 3.75 per cent in the Fed funds rate.

Malawi goes to the polls:

Presidential and parliamentary elections will give voters a choice of candidates for the first time since 1964. The multi-party elections follow last year's referendum in which Malawians rejected President Hastings Kamuzu Banda's one-party state. Mr Banda (above), who has ruled since independence, is standing for re-election despite his advancing years.

Lloyd's of London, the insurance market, will report its fourth consecutive year of losses. Forecasters agree the loss will be about £2.5bn, compared with £2.9bn in 1990 and £2.1bn in 1989. The market, which reports its results three years in arrears, will soften the blow on Names, whose assets have traditionally supported the market, by stripping out the so-called "double count". This occurs when claims produce losses for the syndicate underwriting an original policy, as well as for those underwriting errors and omissions, stop-loss or estate protection insurance.

Names will also be allowed to borrow against part of the profits expected for the current year. Trading conditions at Lloyd's have improved over the past two years, with steep rises in insurance rates in some sectors.

Bulgaria's largest trade union bloc has called a general strike to push for higher wages for state sector employees. Prices have risen sharply this year because of the introduction of VAT and the sharp devaluation of the Lev.

The strike will keep up pressure on the government of Lyuben Berov, a non-partisan economist, which is facing its sixth vote of no confidence since taking office in December 1992.

FT Survey: World Forest Products and Power Generation Equipment.

Holidays: Norway (Independence Day), Saudi Arabia (Eid al-Adha).

18 WEDNESDAY

Derivatives report appears

The General Accounting Office, the investigative arm of the US Congress, publishes a study of financial derivatives, such as options and interest rate swaps. The study was prompted by a nightmare scenario of a collapsing world financial system, as overexposed institutions were forced to default on their obligations. The report is expected to propose increased regulation of the multi-billion dollar business, both of those issuing and trading these financial instruments and the companies that use them. The industry, and some policy makers, are against hasty legislation, arguing that existing procedures are working well.

Israel is due to complete its military withdrawal from the occupied Gaza Strip, placing 850,000 Palestinians under PLO control.

Bulgaria's debt: Deutsche Bank and 300 other London Club banks have until today to indicate their terms to the banking committee handling the rescheduling of Bulgaria's US$9.3bn foreign commercial debt. The two sides, which agreed to reduce the debt by about 50 per cent last November, have set a June 30 deadline for completion of the rescheduling deal.

Bulgaria, which unilaterally defaulted on its foreign debt in 1990, is the last of central Europe's former communist states to reschedule its foreign commercial debt.

UK economy: April's retail price index will be scrutinised for any sign that inflation may be gathering pace, after the Bank of England's warning last week about inflationary pressures. The market expects the figures to show monthly inflation to have risen to 1.3 per cent, up from 0.3 per cent the previous month, largely as a result of rising council tax bills and the introduction of VAT on fuel.

Saleroom: This week both Sotheby's and Christie's sell expensive jewels and works of art in Geneva. The auctions reach a climax this evening with Sotheby's sale of 125 items of jewellery from the collection of the late Hélène Beaumont, who, with her American husband Louis, helped make the Côte d'Azur the magnet of the smart set in inter-war Europe.

The Jonker No. 2 diamond of more than 40 carats, cut by jeweller Harry Winston from the rough 726 carat Jonker diamond, and set in a ring, should make the top price of more than $2m.

Rugby: England begin their first official tour of S Africa since the ending of apartheid with a game against Orange Free State.

Football: In the European Champions Cup final, AC Milan of Italy plays Barcelona of Spain in Athens.

FT Survey: Toulouse.

Holidays: South Korea (Buddha's birthday).

19 THURSDAY

Lomé under review

Ministers from the European Union and the African, Caribbean and Pacific (ACP) group meet in Swaziland to review the Lomé Convention, which expires at the end of the decade. There is tacit agreement on both sides that, with the deregulation of international trade and changes in the patterns of private investment flows and official aid, the trade and aid treaty, in its present form, will be the last of its kind.

ACP officials admit that it will not be easy for many of their economies to disengage from Lomé, with its guaranteed markets for commodity exports and development finance. The EU, on its side, wants to move away from a system based on old colonial ties to a more rational foundation for its trade arrangements.

UK economy: Retail sales figures for April are expected to show that the rate of consumer spending has slowed slightly, following recent downbeat evidence from big retailers and the Confederation of British Industry's distributive trades survey.

Month on month, sales are expected to show no growth, after a 0.8 per cent rise in March. But with some economists predicting there could even be a fall of 0.5 per cent in retail spending, the result seems set to provoke further debate about how far April's tax rises have dented consumer confidence.

Rao meets Clinton:

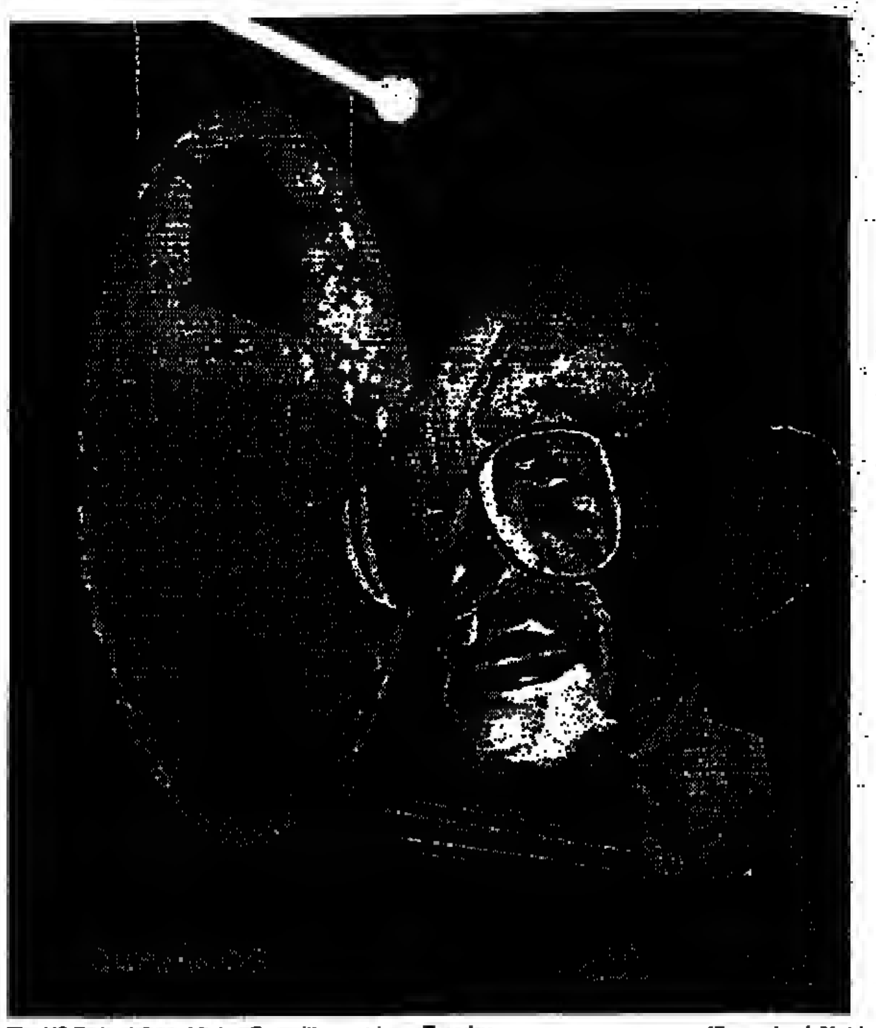
P.V. Narasimha Rao (left), the Indian prime minister who is this week on a six-day visit to the US, is due to meet President Clinton today. The two leaders' discussions are expected to include improving bilateral trade and investment, nuclear non-proliferation and the tensions between India and Pakistan.

Frisson of interest: The UK Building Societies Association begins its annual conference in Birmingham, central England. The recent £1.5bn bid by Lloyds Bank for Cheltenham and Gloucester building society, the announcement of a merger between two societies in the north-east of England, and the statements by several banks that they are interested in buying societies should all serve to enliven the atmosphere.

Informal plotting and intrigue aside, the formal events include a speech by Rosalind Gilmore, head of the sector's statutory regulator.

FT Survey: World Taxation.

Holidays: Kuwait, Lebanon, Qatar, Saudi Arabia, United Arab Emirates (Eid al-Adha).



The US Federal Open Market Committee meets on Tuesday (Ferguson is on holiday)

20 FRIDAY

Japan's budget expires

The 1994 provisional budget expires, necessitating fresh provisional financing, pending agreement on a full budget. This has been delayed by obstructionism from the opposition, Morihiro Hosokawa's resignation as prime minister, and the fragmentation of the ruling coalition.

John Smith: The funeral of the Labour party leader, who died suddenly of a heart attack last week, takes place at Cluny Parish Church, Edinburgh.

Labour has called for campaigning for June 9's European Parliament elections to be put off until after the funeral. Despite losing its leader, Labour looks set to make big gains, after which it will begin the process of selecting a successor.

Nobel lectures: F.W. De Klerk, former president of South Africa and now joint deputy vice-president, winner of the Nobel peace prize along with Nelson Mandela, gives one of a series of lectures by last year's laureates at London's Royal Albert Hall.

Exit Florence: The UK £10 note featuring Florence Nightingale ceases to be legal tender after today.

21-22 WEEKEND

Tougher embargo on Haiti

Unless Saturday's deadline for Haiti's military rulers to step down is met, the United Nations is due to impose further and tougher sanctions. The regime ousted President Jean-Bertrand Aristide in a coup in 1991 and last week installed 81-year old Emile Jonassaint as president.

US president Bill Clinton has said military intervention remains "an option". His administration says it would prefer any action to be multinational and take place under a mandate from the UN.

Prague's spring arts festival begins on Saturday.

Yachting: The Whitbread Round the World fleet of yachts leaves Fort Lauderdale, Florida, on Saturday for the last 3,818 mile leg of the race. The race should arrive at Southampton, southern England, on June 6 or 7.

Football: The Scottish Cup final is played in Glasgow between Rangers and Dundee United on Saturday.

Cycling: The Giro Italia tour of Italy begins on Sunday and is scheduled to be completed on June 12.

ECONOMIC DIARY

Other economic news

Monday: The recovery in the UK and the US will be a focus of attention. In the UK, April's producer prices index today, and the Confederation of British Industry's distributive trade survey tomorrow, will provide clues about the strength of the upturn – and its impact on inflation. Market analysts expect April's output figures to rise to 0.3 per cent, month on month, from 0.1 per cent in February. Input prices, however, are expected to fall. In the US, April's industrial production figures will be scrutinised for clues about the pace of recovery.

Wednesday: UK earnings figures are expected to illustrate the Bank of England's concern about the growth in average earnings. The growth rate for March is expected to be unchanged, at 3.5 per cent, after rising continuously since November. However, the three-month index, measured year on year, is expected to rise slightly to 2 per cent. In the US, the March trade deficit will be scrutinised by the foreign exchanges in the light of the dollar's recent weakness.

Thursday: The report from the UK Treasury's panel of advisers – the "six wise men" – is published.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Apr industrial production	0.3%	0.5%	Thu	US	Mar trade: goods & services	-$8.5bn	-$8.7bn
May 16	US	Apr capacity utilisation	83.7%	83.6%	May 19	US	Mar merchandise trade, census	-$11.5bn	-$12.4bn
	France	Feb current a/c seas/adj	FFr7.4bn	FFr16.1bn		US	Initial claims w/e May 14	360,000	378,000
	UK	Apr prod prices index input*	0.3%	0.5%		US	State benefits w/e May 7	-	2.77m
	UK	Apr prod prices index input**	-2%	-3%		US	M2 w/e May 9	-	-$1.4bn
	UK	Apr prod prices index output*	0.3%	0.1%		Japan	Apr money supply (M2 & CD)	1.7%	2%
	UK	Apr prod prices index output**	2.1%	2.7%		UK	Apr retail sales*	0.0%	0.8%
	UK	Ditto, ex-food, drink & tobacco**	2.3%	2.5%		UK	Apr retail sales**	3.8%	3.8%
Tue	US	Apr housing starts	1.45m	1.31m		Canada	Mar retail sales seas/adj*	0.5%	0.9%
May 17	Japan	Mar machine orders ex ships etc**	-10%	-8.9%		Canada	Mar merchandise trade surplus	C$850m	n/a
	Japan	Mar wholesale price index*	-0.3%	-0.2%	Fri	US	Apr Treasury budget	$17bn	-$32.3bn
	Japan	Mar wholesale price index**	-2.7%	-2.8%	May 20	Japan	Mar indust'l prod, real seas/adj	-	-0.1%
	Canada	Apr lead indicator seas/adj*	0.6%	0.7%		Japan	Mar shipments, real seas/adj	-	1.1%
	Canada	Mar manufacturing new orders*	0.6%	0.8%		Japan	Apr trade balance, customs clear	$10.6bn	$13.9bn
Wed	UK	Apr retail price index*	1.3%	0.3%		France	Mar trade balance	FFr6.6bn	FFr5.4bn
May 18	UK	Apr retail price index**	2.7%	2.3%		France	April consumer prices index**	-	1.7%
	UK	Ditto, ex mortgage int payments**	2.5%	2.4%		UK	April M4*	0.4%	0.6%
	UK	Mar average earnings	3.5%	3.5%		UK	April M4**	6%	5.9%
	UK	Mar unit wages – three monthly**	2%	1.8%		UK	April M4 – lending**	£2bn	£3.3bn
	UK	Apr public spend borrowing req	£5.4bn	£11.27bn		UK	Apr bdg scty new commitments	£3.4bn	£3.8bn
	Canada	Apr cons prices index, all items*	0.1%	-0.2%	During the week...				
	Canada	Apr cons prices index, all items**	0.3%	0.2%		Italy	Mar industrial production**	0.9%	0.4%
	Canada	Apr advance dept store sales**	6.5%	12%		Spain	1st qtr unemployment rate	-	23.9
	Canada	Mar wage settlement increases	0.5%	0.0%		Spain	Mar producer prices index**	4%	4%
	Sweden	Unemployment rate	7.7%	7.8%					

*month on month, **year on year. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

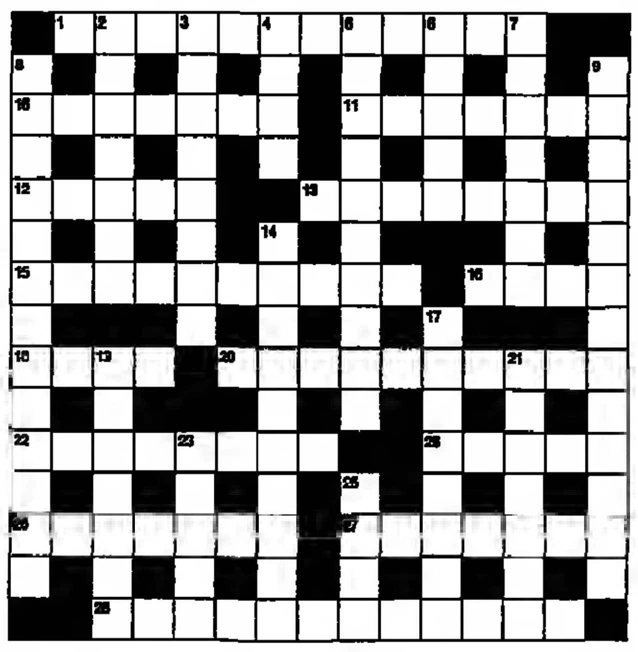
No.8,454 Set by ADAMANT

ACROSS

1 Occasionally constructed? (7-5)
10 *Chain leased off after close* winning margin (7)
11 Did the woman fall for awful rot before the election was over? (7)
12 Last character's failure to score ruined the game (5)
13 Delivery lad accepted old money for a particular product (8)
15 Ethical justification of clean living Tories (5,5)
16 The gardener nowadays comes before midday (4)
18 Goes on to put the silver in the partners' hands (4)
20 One who enjoys making the changes (10)
22 Firm row about MP's service (6)
24 Show how to make the beverage, cold and hot (5)
26 Do Albion, having lost a point, play the devil of a game? (7)
27 Adoring undoing the knot (7)
28 With time other letters can give support (7,5)

DOWN

2 Not obvious that internationalists caught the king .... (7)
3 .... *but obvious that a friend* can be soft-hearted (8)
4 Fill up, in case the scheduled arrival hour's put back (4)
5 A flower that will hold the attention (10)
6 Key coast in Africa (5)
7 Drew out everything inside that agreed with the account (7)
8 Lacking the means of self expression (13)
9 Fast driver needed for drugs dealer (5,8)
14 Airmail service (6,4)
17 Village society tries to cultivate a climber (8)
19 Athlete takes nasty old sports car for a spin (7)
21 A gallic shrug makes the temperature icy (7)
23 Free and easy (5)
25 A dominating person might hesitate to go back (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 26, marked Monday Crossword 8,454 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 30.

Name..

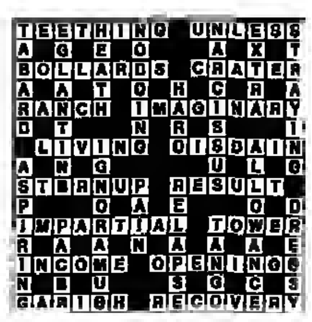
Address...

....

Winners 8,443

K.J. Woolley, Pontefract, W. Yorkshire
Alison Bye, London N1
S.P. Mikell, Washington, Tyne and Wear
A.R. Neale, Manama, Bahrain
M. Scott, Whyteleafe, Surrey
R.F. Steel, Winchester, Hants

Solution 8443



JOTTER